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COTTON :
Review of the World Situation

International
Cotton
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Committee

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SUMMARY OF THE OUTLOOK FOR COTTON

World Cotton Prices on the Decline

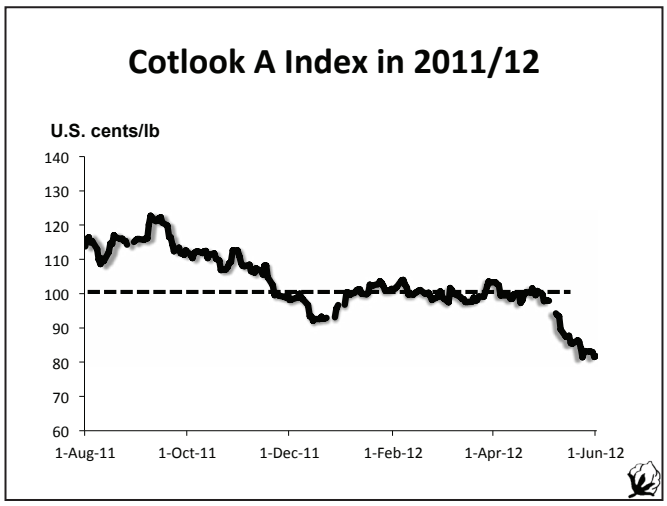
International cotton prices declined noticeably in the last few weeks. After remaining around $1.00 per pound for four months, the Cotlook A Index has dropped by almost 20% since the end of April 2012, reaching 81 cents per pound on May 24, 2012. It stabilized around 82-83 cents per pound at the end of the month. This signals the end of an 18-month period during which the A Index remained at or above $1 per pound (with a few drops below that level since November 2011).

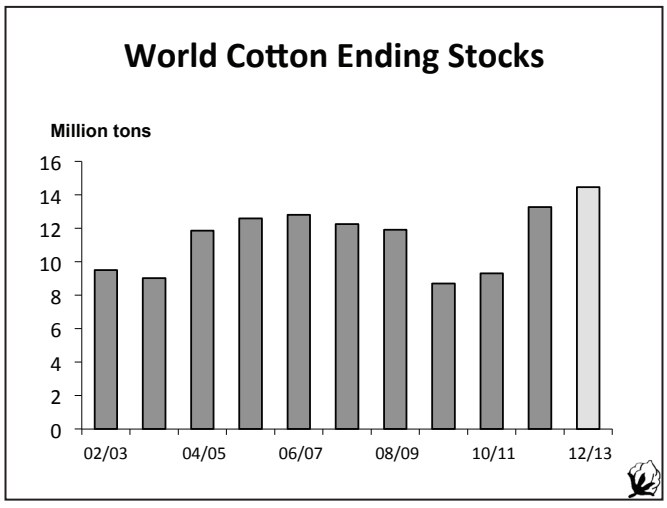
The main reason behind the recent fall in prices seems to be the anticipation by the industry of a second consecutive season of increase in global stocks. The ICAC Secretariat expects stocks to jump by 43% in 2011/12 to 13.3 million tons, and then to expand by another 9% in 2012/13 to 14.5 million tons. By the end of July 2013, global cotton stocks would represent 61% of global consumption, the highest stocks-to-use ratio reached since 1998/99. Other factors explaining the recent price decrease include the arrival of rains in Texas, new uncertainties regarding the EU economy and the resulting strengthening of the U.S. dollar.

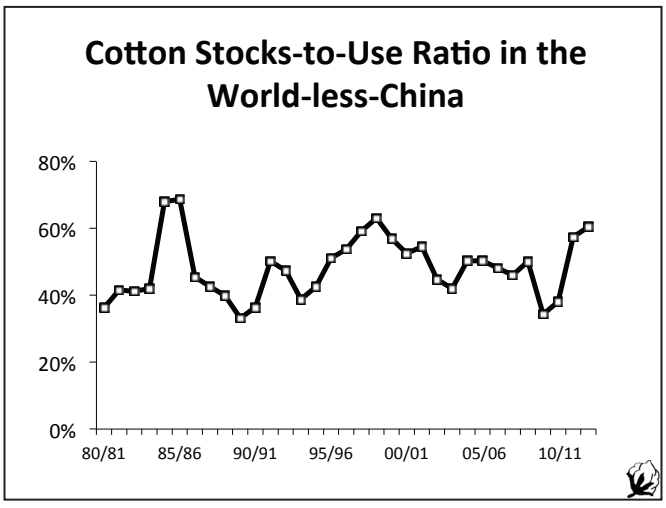
The surge in global cotton stocks in 2011/12 is the result of an 8% increase in production to 27.1 million tons, combined with a drop of 6% in consumption to 23.1 million tons, leaving a production surplus of 4 million tons. Farmers planted and harvested more cotton than in the previous season in response to the high prices prevailing in 2010/11. World cotton mill use is down for the second consecutive season due to slower global economic growth and the extremely high cotton prices of 2011.

Another production surplus is expected to be created in 2012/13, but it will be smaller than in the current season. World cotton production is forecast down by 7% to 25.1 million tons following the plunge in cotton prices in 2011/12. Higher-than-average cotton prices at planting time, weather, and support price policies are the main factors preventing a sharp drop in cotton area in 2012/13. Cotton plantings will even increase in some countries. Global cotton mill use is projected to increase by 3% to 23.9 million tons in 2012/13, driven by improving economic growth and lower cotton prices. However, uncertainties regarding global economic growth could lower cotton consumption and therefore increase the production surplus, causing ending stocks to rise further.

The decline in production in 2012/13 will be driven by China, expected to produce a crop of 6.4 million tons or 13% lower than in 2011/12. Production is also expected to decrease in India, Pakistan, Brazil and Turkey. U.S. production could increase by 10% to 3.7 million tons despite reduced plantings, assuming improved weather and lower abandonment than in 2010/11. Production in Francophone Africa is forecast







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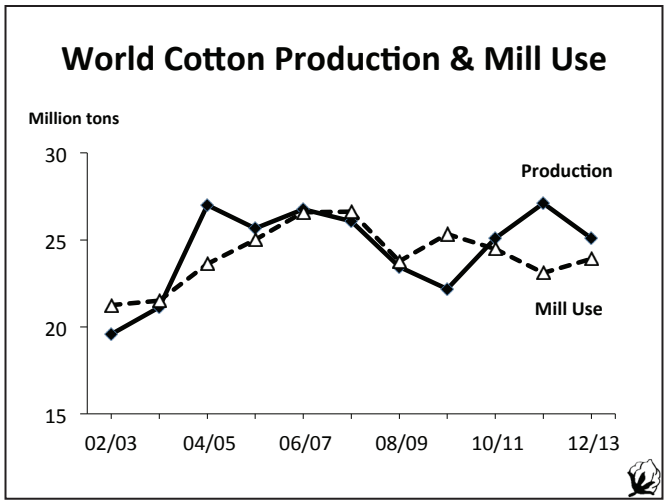
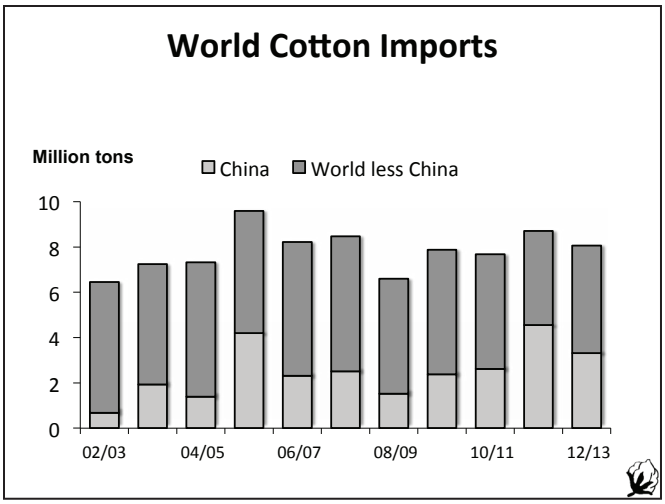
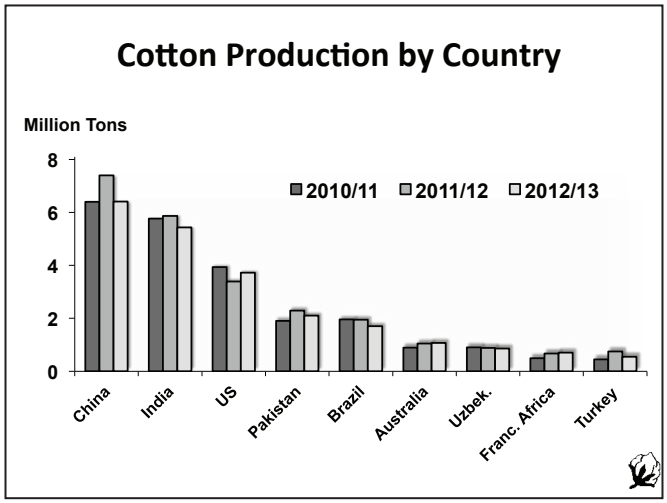
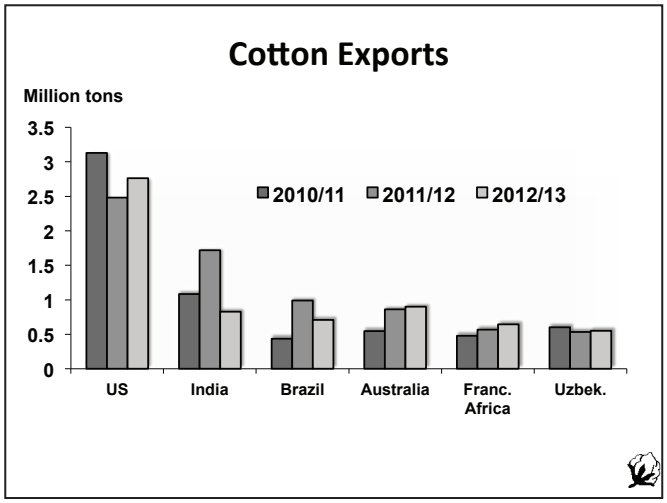








up by 5% to 710,000 tons. The seedcotton prices that are being announced for 2012/13 across that region are mostly unchanged from 2011/12, suggesting that cotton area will remain stable or may even increase slightly.

Global cotton trade is rising by an estimated 14% to 8.7 million tons in 2011/12, the largest volume in six years, driven by record imports from China. In contrast, imports by the rest of the world are projected to fall by 18% to 4.1 million tons. China will account for 52% of global imports this season. Exports from the United States are projected down by 21% to 2.5 million tons due to reduced exportable supplies, whereas exports from India, Brazil and Australia could reach record levels of 1.7 million tons, 1 million tons and 860,000 tons, respectively.

In 2012/13, global imports are expected to decline by 8% to 8.1 million tons. Chinese imports could fall to 3.3 million tons, whereas imports by the rest of the world could increase by 15% to 4.8 million tons, boosted by lower cotton prices and increased consumption.

In 2011/12, China implemented for the first time a minimum cotton support price. Under this system, the China National Cotton Reserve Corporation (CNCRC) acquired a large amount of the domestic crop. These purchases boosted imports by domestic mills. The CNCRC also purchased some imported cotton. As a result, three-fourths of the increase in global stocks this season is taking place in China. By the end of this season, China may hold 38% of global stocks, most of it in the national reserve. A portion of this national reserve might be auctioned before the arrival of the new crop, to rotate stocks. The Chinese government already announced a slightly higher minimum support price for 2012/13 and is expected to buy a portion of the new cotton crop. This suggests that the size of the Chinese national cotton reserve may increase further in 2012/13.

Other major producing and consuming cotton countries are discussing the possibility of establishing national cotton reserves for their domestic industries, on a smaller scale than China. In India, the Cotton Corporation of India was directed to procure a few hundred thousand tons of cotton to create a strategic reserve for their domestic mills. In Pakistan, the cotton industry suggested the government to build a buffer stock, but no decision was taken.

The projected accumulation of cotton stocks will weigh on international cotton prices in 2012/13. In addition, price volatility may increase due to the uncertainty related to how the large Chinese national reserve is handled.

COMMODITY PRICE SWINGS AND COMMODITY EXPORTERS

A SUMMARY OF THE CHAPTER 4 OF THE IMF WORLD ECONOMIC OUTLOOK, APRIL 2012[1]

By Armelle Gruère, ICAC

This article analyzes the impact of long-term and temporary commodity price swings on commodity exporters' macroeconomic performance.[2] It also examines how a country's choice of fiscal policy can help mitigate the negative impacts of commodity price declines and maximize the positive impacts of price increases. Four groups of commodities are discussed: energy, metals, food and raw materials. Within each group, one major commodity is studied: crude oil, copper, coffee and cotton. The period under review is 1970-2011.

The authors find that in commodity exporting countries, macroeconomic performance tends to move with commodity price cycles: when prices drop, macroeconomic performance deteriorates; when prices increase, macroeconomic performance improves. While this pattern holds for the four groups of commodities, it is more apparent for energy and metal exporters than for food and raw material exporters. This may be linked to a greater sensitivity of energy and metals to global business cycles and to the greater importance of these commodities in countries' total exports and GDP.[3] For all four commodity groups, the length of the price cycle and the magnitude of the price movement affect the extent of the change in macroeconomic performance. For cotton, it was found that the average price cycle lasted 49 months: about two years of upward movement and about two years of downward movement.[4]

Unexpected shocks to global economic activity, via their impact on demand, were found to significantly affect commodity prices. For cotton, a 1 standard deviation positive global demand shock, proxied by an increase in global real GDP of 0.8%, increases cotton prices by 0.7%. The positive effect of global demand shock remains significant even after three years following the impact for both crude oil and cotton. In contrast, global production shocks do not result in significant price movement in the opposite direction (except for coffee). This suggests that historical supply disruptions in oil markets were largely anticipated. However, weather-related supply shocks may be harder to predict than shocks to energy and metal supplies, resulting in more significant effects on prices of agricultural commodities, such as coffee. The authors do not explain why the price effect for cotton is not significant, despite it also being an agricultural commodity. But they note that their findings show that price effects vary amongst commodities and depend on the nature of the shock.

Global demand-driven commodity shocks were found to significantly affect exporters' economic performance. Authors relate this to the fact that global activity shocks may affect demand for all goods exported by a country. The economic effects of global activity shocks are found to be stronger for crude oil than for the other observed commodities. However, a negative global production shock for a commodity, which increases its price, does not always have a significant economic effect. This can be explained by the fact that a global production decline can originate in production declines in exporting countries (which would offset the positive effect of a price increase). It can also be explained by the fact that a global production decline can result in a fall in global GDP, which in turn could partly or fully offset the positive effect from the higher prices (as observed for copper and cotton).

The authors found through a model designed for crude oil that the optimal fiscal policy response to commodity price fluctuations for small commodity exporters is a countercyclical approach: save commodity-related revenue increases during periods of price increase and use these cash reserves during periods of price declines. This behavior can help reduce the macroeconomic volatility arising from commodity price fluctuations. It is valid for both long and short price cycles. However, a countercyclical fiscal policy may not be as effective for a pegged exchange rate regime or for a highly indebted country, and needs to be adjusted according to the circumstances, in particular the importance of the commodity in the country's economy. The authors note that small exporting countries should take advantage of the current strength of commodity prices to build fiscal reserves

1) "Commodity Price Swings and Commodity Exporters," Chapter 4 of World Economic Outlook, published by the International Monetary Fund in April 2012. The complete report is available at http://www.imf.org/external/pubs/ft/weo/2012/01/index.htm.

2) The sample under study includes emerging and developing economy commodity exporters with populations of at least 1 million, with a ratio of net commodity exports (for the relevant commodity group or commodity) to total good exports that averages at least 10% over all available years. For cotton, the countries considered are Azerbaijan, Benin, Burkina Faso, Central African Republic, Chad, Egypt, Mali, Nicaragua, Paraguay, Sudan, Tajikistan, Tanzania, Turkmenistan and Uzbekistan.

3) In the sample of countries chosen for this study, the share of net exports to GDP was over 20% for oil and 10% for copper, whereas it was only 3% to 4% for coffee and cotton.

4) For cotton, the estimation of the length of the average price cycle was made over the period 1958-2011.

and to prepare their institutions for any cyclical downturn in commodity prices. Large commodity exporters may or may not benefit as much from countercyclical policies due to their significant share in global production of the commodity.

When prices of a given commodity move to permanently higher (or lower) levels, it is important for the exporter to gradually adjust its fiscal policies to permanently higher (or lower) commodity-related fiscal revenues. A permanent increase in commodity prices should encourage a higher level of public investment and a reduction in taxes on labor and capital, in the objective of maximizing welfare. A permanent decline in commodity prices could bring a country to reduce general transfers, even though the resulting negative impact on welfare must be taken into account. One of the main difficulties is to identify a permanent commodity price change from a temporary one.

The authors conclude by noting that in the near term, commodity prices are expected to decline in the context of a weak global economic outlook. In addition, the existing downside risks to projected global growth could result in further commodity price decreases in the medium term. If commodity prices enter such a cyclical fall, commodity exporters would likely suffer. The authors advise exporting countries to use the current opportunity presented by strong prices to lower their debt levels, strengthen their institutions and build cash reserves to support a countercyclical response to lower commodity prices. They note that it is possible that commodity prices remain at their historic highs, but given the uncertainty, exporters should adopt cautious policies and monitor markets and prices to allow a smooth adjustment to potentially permanent higher commodity prices.

GOVERNMENT SUPPORT TO THE COTTON INDUSTRY[5]

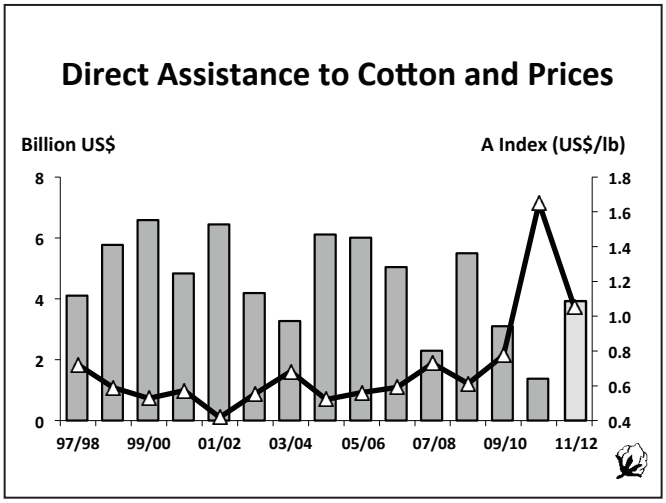
The ICAC Secretariat

Subsidies to the cotton industry, including direct support to production, border protection, crop insurance subsidies, and minimum support price mechanisms are estimated at US$3.9 billion in 2011/12, up from US$1.4 billion in 2010/11. The increase in subsidies paid to producers is a direct result of lower cotton market prices.

The Cotlook A Index averaged 105 US cents per pound during the first nine months of 2011/12, down from 164 cents per pound in 2010/11. However, prices in 2011/12 were still well above long-term averages, and government interventions in a number of support programs in several countries were not triggered this season. Pakistan, Mexico and India have support programs, but because market prices were above the minimum support prices in 2011/12, these programs did not result in payments to producers. These programs would be effective if prices were lower.

Ten countries provided subsidies in 2011/12: Burkina Faso, China, Colombia, Cote d'Ivoire, Greece, Mali, Senegal, Spain, Turkey and the United States. The subsidies averaged 14 US cents per pound, up from 5 US cents per pound on average in 2010/11. The share of world cotton production receiving direct government assistance, including direct payments and border protection, increased from an average of 55% between 1997/98 and 2007/08, to an estimated 84% in 2008/09. During 2009/10 through 2011/12, the share averaged 49%. It is estimated at 48% in 2011/12.

Some countries provided subsidies for cotton inputs in 2011/12, especially for fertilizers, storage, transportation, classing services and other marketing costs.



5) This a summary of a report published by the Secretariat of the ICAC in May 2012 and available at http://icac.org/sc_notices/sc_518.

RECENT TRENDS IN BIOTECH COTTON PRODUCTION

By Armelle Gruère, ICAC

By the end of 2011, 29 countries were producing biotech (or genetically modified – GM) crops on a commercial scale, over 160 million hectares. The main biotech crops planted in 2011 were soybeans (47% of global biotech area) and maize (32%). Cotton was the third largest biotech crop, accounting for 15% of the total biotech area (James 2011).

Biotech cotton was first commercialized in 1996/97 in three countries: the United States, Australia and Mexico. As of 2011/12, 12 countries are producing biotech cotton commercially: Argentina, Australia, Brazil, Burkina Faso, China, Colombia, India, Mexico, Myanmar, Pakistan, South Africa and the United States. The ICAC Secretariat estimates that 66% of world cotton area was planted with biotech seeds in 2011/12.

A Few Facts about Biotech Cotton

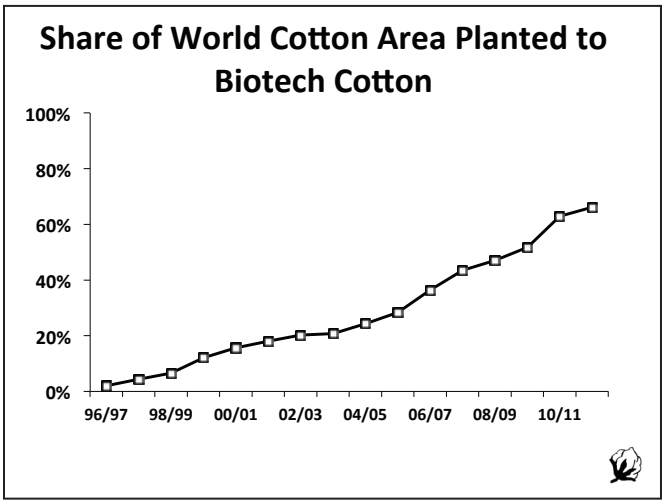
Two agronomic traits introduced through genetic engineering are currently approved and commercialized for cotton: insect resistance and herbicide tolerance. The insect resistant genes come from the soil bacterium *Bacillus thuringiensis* (Bt), and produce toxins conferring resistance to a variety of budworms, bollworms and cutworms; the herbicide tolerance genes come from transgenesis (the introduction and expression of a gene that codes for a target enzyme that is insensitive to the herbicide, and/or an enzyme that inactivates the herbicide) and confer tolerance to glyphosate and glufosinate, the most popular herbicides. Since 1996/97, five insect resistant genes and four herbicide tolerance genes have been approved and commercialized in cotton. Insecticide tolerance is the most widely adopted trait in biotech cotton, particularly in developing countries. Nonetheless, the herbicide tolerance trait is popular in Australia and the United States. The combination (stacking) of the two traits in the same cotton seed is expanding.

Since biotech cotton was introduced in 1996/97, it has been expanding rapidly within most of the adopting countries. This suggests that cotton producers in these countries have in some way benefited from this technology. On one side, biotech cotton seeds are more expensive than non-biotech (conventional) seeds, due to the technology fee charged by the company having developed the biotech cotton variety. On the other side, biotech cotton cultivation can result in savings in production costs during the growing season, and in some cases can even increase yields. The benefits of biotech cotton are highly dependent on pest pressure and production practices, and thus vary greatly among countries and regions within countries.

Trends in Biotech Cotton Area, Production and Exports

Global biotech cotton area increased from 700,000 hectares in 1996/97 to 23.8 million hectares in 2011/12. Its share of world cotton area grew steadily over this period, from 2% to 66%. There has been no slowing down in recent years, due to new entrants such as Pakistan. Since 2009/10, over half of world cotton area has been planted with biotech cotton every year. Based on the assumption that in a given country, biotech cotton yields are on average equal to non-biotech cotton yields, the Secretariat estimates that production of biotech cotton increased from 600,000 tons in 1996/97 to 18.6 million tons in 2011/12. Its share of world production grew from 3% to 69% over this period. While the assumption regarding yields may be true for some countries, it may not be correct for others, where biotech cotton yields may be higher than non-biotech cotton yields. Therefore, the Secretariat's estimate of global biotech production can be considered as a minimum.[6]

Biotech cotton is entering the world textile trade pipeline in increasing volumes. Based on the assumption that the share of biotech cotton in exports from a producing country is the same as the share of biotech cotton in this country's production, the Secretariat estimates that exports of biotech cotton increased



6) Furthermore, although the ICAC Secretariat's estimates only cover legally commercialized biotech seeds, the Secretariat is aware that there are unaccounted sources of biotech seeds planted in areas not taken into account in this article.

from 350,000 tons in 1996/97 (6% of world exports) to 5.4 million tons in 2011/12 (63% of world exports). Similar to the production estimate, the export estimate for biotech cotton can be considered as a minimum.

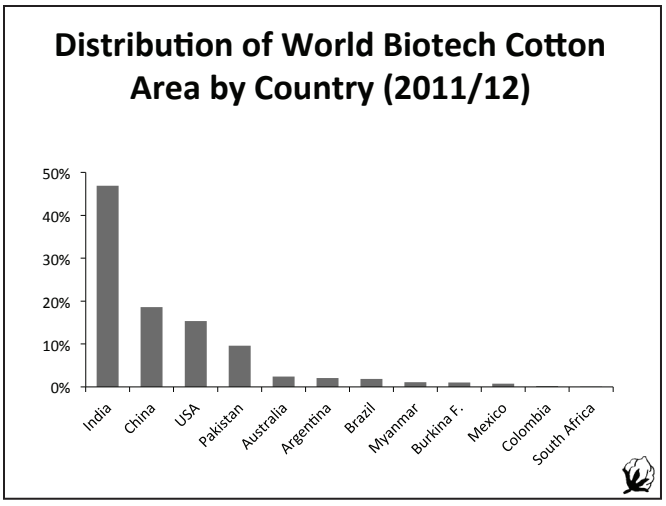
Taking into account that the Far East[7] accounts for more than 75% of world exports of cotton textiles (FAO/ICAC 2011), it is evident that the share of biotech cotton in textiles traded in major markets in Europe and America is rising. Despite an increasing share of biotech cotton traded in the world, there are no price differentials for biotech and non-biotech cotton fiber or textiles containing biotech cotton. There is no evidence of consumer rejection of biotech cotton in any market or region. In practice, markets do not identify biotech cotton content, but rather evaluate cotton properties based on quality characteristics.

Adoption of Biotech Cotton by Country

The United States, Australia and Mexico were the first countries to commercialize biotech cotton in 1996/97. China started cultivating biotech cotton in 1997/98, and Argentina and South Africa followed in 1998/99. Between 1998/99 and 2001/02, only these six countries cultivated biotech cotton. Starting in 2002/03, other countries progressively started to adopt biotech cotton. India and Indonesia began cultivating biotech cotton in 2002/03. Colombia started in 2003/04. Indonesia stopped cultivating biotech cotton after 2004/05, but Brazil started in 2006/07 and Burkina Faso in 2008/09. Pakistan started official production of biotech cotton in 2009/10 and Myanmar in 2010/11. Several other countries, including Ghana, Kenya, Mozambique and Uganda, are considering the possibility of allowing commercial production of biotech cotton in the future.

Biotech cotton is now produced commercially in almost all the continents producing cotton. Out of the twelve countries commercially producing biotech cotton in 2011/12, four are in Asia (China, India, Pakistan and Myanmar), three are in South America (Argentina, Colombia and Brazil), two are in North America (United States and Mexico), two are in Africa (South Africa and Burkina Faso) and one is in Oceania (Australia). Only Europe (Greece and Spain) and Turkey do not produce biotech cotton.

The five largest cotton producers in the world in 2011/12 (China, India, the United States, Pakistan and Brazil), accounting for 72% of global cotton area and 77% of global cotton production in 2011/12, have adopted biotech cotton. India, China, Pakistan, the United States and Brazil accounted



together for 92% of world biotech cotton area in 2011/12. In 2011/12, India had the largest biotech cotton area, with an estimated 11 million hectares, accounting for 47% of the world total.

For most countries, commercialization of biotech cotton spread rapidly and significantly during the first decade of use. By the tenth season, the level of adoption of biotech cotton (as measured by the share of total cotton area planted to biotech varieties) had reached 95% in South Africa, 92% in India, 90% in Australia, and 81% in the United States. The level of adoption had reached 67% in China and 57% in Mexico. Colombia adopted biotech cotton in 2003/04, and its level of adoption had already reached 85% by the ninth season of adoption (2011/12). Burkina Faso in the fourth year of commercialization (2011/12) had already reached an adoption level of 59%. The two exceptions to this trend are Argentina and Indonesia. In Argentina, the official level of adoption was only 25% until the 11th season of adoption, but then jumped to 85% thereafter. It is likely that the unofficial level of adoption was much higher than 25% in recent years. In Indonesia, the level of adoption was less than 1% from 2002/03 to 2004/05 and declined to zero in 2005/06 due to regulatory issues.

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7) Far Eastern countries include Bangladesh, Cambodia, China, Hong Kong, Taiwan, Fiji, India, Indonesia, Democratic People's Republic of Korea, Republic of Korea, Malaysia, Mongolia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand, and Vietnam.

SUSTAINABLE COTTONS

By Simon Ferrigno[8], freelance researcher on sustainable cotton, author of An Insider's Guide to Cotton & Sustainability (2012)

As recently as 2005 there were no sustainable standards or verification systems outside of organic (late 1980s) and the Sustainable Cotton Project (late 1990s). With the entry of Fairtrade, the Better Cotton Initiative (BCI) and Cotton made in Africa (CmiA) it seems as if the world is awash with sustainable cotton – just counting programs with some kind of 'verified' status and promoter. These programs are predicated on addressing some or all of various issues such as high or unnecessary levels of input use, poor attention to environmental impacts, declining cotton prices, declining farmer livelihoods, child labor, and subsidies.

What is the role and impact of sustainable cottons? Do they improve the performance and image of cotton, or detract from investment in the sustainability of the whole industry? Some of these issues were discussed in relation to organic cotton at the ICAC's 70th Plenary meeting in Buenos Aires in 2011, but many are equally relevant to Fairtrade, CmiA and BCI.

Ethical concerns in cotton are nothing new: as early as the 18th Century, thinkers such as Edmund Burke and Adam Smith railed against the British East India Company, among other reasons over its actions with regards to Indian cotton and textiles, while the 19th Century saw the Ladies' Free Grown cotton movement campaign for the use of cotton grown by 'free' farmers rather than slaves. While much has improved in cotton, notably with reduced use of pesticides, many problems remain, particularly in poorer countries and among the very smallest – and so most vulnerable – farmers. There are hurdles ahead as resources get tighter and the risk of climate volatility grows. Alternative production systems offer hope for more sustainable production and improved livelihoods for farmers.

However, sustainability can have many definitions. While the 1987 Brundtland definition of sustainable development is most quoted ('*development which meets the needs of current generations without compromising the ability of future generations to meet their own needs*'), sustainable cotton first needs farmers able to stay in business and make a living. Sustainable cotton also needs profitable service providers - it is however hard for them to sustain themselves, let alone support others in sustainability when markets are volatile and unpredictable. Without more stability in orders and financial support (loans, credit, crop finance as well as donor funds) then sustainable production is going to be difficult.

Of the various sustainable cotton initiatives, some are certified, some verified and some not. Some are labeled at point of sale, some are not. It is difficult to say any one system is better, although there may be cases when a system may be inappropriate for a given context. There is no baseline, framework or common understanding for assessing sustainability in cotton let alone comparing standards. This may not be feasible, let alone relevant given the many variables (climate, soils, farmers, and infrastructure) within and without a given growing area.

Organic cotton has grown fast over the past two decades, but the last 4-5 years have seen questions over prices, integrity, benefits to farmers and the very different ways organic cotton is implemented in the field. The recent drop in reported organic cotton production is perhaps a sign of rationality returning to this sector, an opportunity to re-establish good governance and address weaknesses notably in research, farmer support, productivity, and responsible trading. Yet for all the over-hyping that may have happened in recent years there are many productive farmers growing organic cotton and achieving good yields and returns. Well supported, organic can also help small and resource poor farmers continue to benefit from their only cash crop option when other forms of production become too expensive or risky. Organic cotton is sometimes criticized for low yields, but where true the reasons are poorly understood. Lack of investment, lack of research, and the fact organic programs may be working with very marginal farmers are sometimes factors, although limited data available suggest the yield gap between organic and conventional production is higher in irrigated cotton. There are potential yield improvements in organic cotton with more systematic application of research and good practice, but the organic industry needs to find ways to fund improvements and farmer support. Given how long it takes for farmers to become certified (2-3 years) and the length of time usually needed for the farm system to function at its best, organic cotton also requires investment for the long term. While much of this can be funded from commercial activity, it still requires stability of orders and prices and premiums to reflect the investments made. Organic standards have fallen behind newer initiatives in putting criteria and requirements on trading and supply chain relations. Not only does more need to be done on good business practices, there is also the question of integrity. Organic cotton came under fire in recent years for poor business practices and rumors of fraud, although the Indian government has implemented changes that should improve the situation by launching its *Tracenet* traceability system.

Organic cotton is the elder statesman of sustainable cotton initiatives but needs to evolve alongside its newer counterparts. Having said all of this, similar risks and challenges to the above may well confront the newer systems in years to come.

8) The author can be reached by email at <simon@sustainableorganicfarmsystems.co.uk>.

Fairtrade cotton places its emphasis on social issues, with high minimum prices along with social premiums. Fairtrade cotton is expensive but popular with many retailers as the Fairtrade mark is well recognized by consumers, with around a third of Fairtrade cotton jointly certified organic. Fairtrade also addresses farmer organizational development but like organic is challenged by the arrival of BCI and CmiA and will have to work hard to maintain its position and identity. Fairtrade is not an integrated pest management (IPM) system, but does have regulations on pesticides, banning those listed by the World Health Organization (WHO) as Classes Ia and Ib as well as the Pesticide Action Network (PAN) 'Dirty Dozen' and those registered under the Prior Informed Consent (PIC) and Persistent Organic Pollutants (POPs) conventions (the Rotterdam Convention and the Stockholm Convention, respectively)

BCI begins with '*minimizing the harmful impact of crop protection practices*' and aims to be a '*mainstream commodity*'. The FAO definition of IPM is the basis of the system, and BCI puts a strong emphasis on capacity building and reducing costs to farmers, improving their profitability through better management practices. Labeling is a major difference between BCI and CmiA, as CmiA is labeled. Like BCI, CmiA is predicated on a continuous improvement process and good agricultural practices, but is applicable only to African cotton. CmiA also encourages a community of practice between programs and producers to promote sustainable cotton production. All initiatives could do well to share more information on production practices.

Cotton produced under the sustainable initiatives cannot only be produced by implementing changes and verification in the field. It needs to be traded responsibly to support sustainability, reduce volatility and costs and improve transparency and trust. Sustainable business requires that attention is paid to the impact of decisions: for example, farmers start their activities long before the cotton is turned into product, and late changes in buying volumes or criteria can have serious financial impacts further down the chain. While the word responsible may soon become as over-used and under-defined as sustainability, it is an essential behavior to all good sustainable business practice.

At its most basic, sustainable cotton production equates to the sustaining of trade, marrying commercial success, social responsibility and environmental protection. The future of sustainable cotton depends on putting these basic elements in place; however, a major limitation is that sustainable systems generally remain dependent on donors or premiums and despite the size of the retail markets, not enough money is returning to invest in production, productivity and improved sustainability or better seed supply.

An often heard criticism of standards and certification systems is that they are purely marketing tools, more useful to the retailers and brands than to farmers and the environment. It is true that certification is not necessary to produce in a sustainable way and it is also true that certification and verification do not guarantee sustainability: the cost of a fully verified system is enormous and so most systems only allow for partial control and the use of documentation and/or self-assessment.

So do we need sustainable initiatives? The answer is that we do. The relationship between so-called 'conventional' farming and advocates of sustainability is sometimes fraught and difficult, but the raising of issues and the quest for more ethical and less damaging production is one that moves the debate – and the reality on the ground – forward. Scrutiny provides an impetus for change just as dialogue does. Sustainability programs are not enough by themselves to address all the issues or to change the whole cotton sector, but they quite literally set a standard for everyone.

The various sustainability initiatives together with continued action on IPM, Best Practices and international regulation have not always been perfect and are not always complete, but they are a step in the right direction.

ORGANIC COTTON: A PRODUCTION SYSTEM

By M. Rafiq Chaudhry, ICAC, and Ms. Liesl Truscott, Textile Exchange[9]

According to the International Federation of Organic Agriculture Movements (IFOAM), *"Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved."* Organic agriculture is based on the principles of agroecology and replaces synthetic agrochemicals with natural methods and botanical products to improve soil fertility, water quality, and pest control. Organic cotton means certified organic cotton. If the production and processing systems are not certified, it is illegal to claim the results as organic. Certification of organic cotton requires three years of 'transition' from conventional practices and land use to

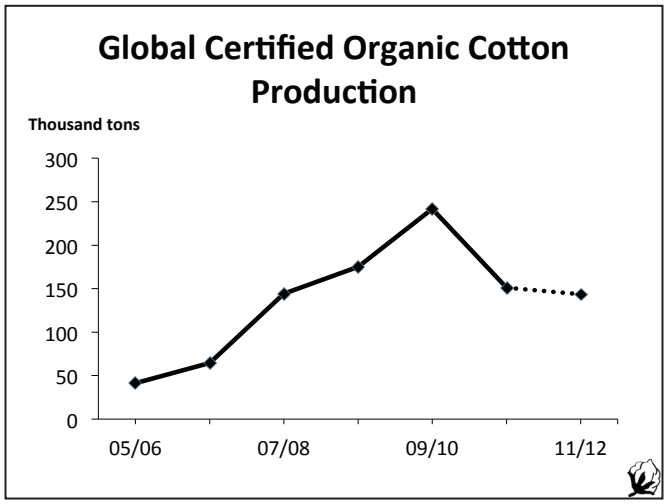
9) The authors can be reached by email at <Rafiq@icac.org> and <liesl@TextileExchange.org>.

organic practices and processes. In terms of social standards, organic certification cannot be achieved if the International Labor Organization standards are breached. Organic production relies upon the holistic nature of the organic system to meet the IFOAM principles of social and economic fairness. Economic sustainability through improved terms and conditions of trade to ensure farmers' livelihoods will also deliver socio-economic benefits to their wider community. Organic certification must be obtained at the farm level to achieve organic status of the raw material, and must be tracked through the supply chain to ensure the organic status of the final product and for consumer labelling. Additional standards and certification can be obtained during the processing and manufacturing stages to enhance the environmental and social benefits for the entire product.

Organic cotton production as a system worked successfully for the last two decades and carries a strong potential to continue to prevail in the future. The organic cotton production system satisfies all the three components of sustainability: economic, social and environmental.

Major Trends in 2010/11

- Global organic cotton production in 2010/11 dropped by 37% to 151,079 tons.
- India, Syria, China, Turkey, and the United States were the top five producers in 2010/11.
- Production in India fell by 48% from 195,412 tons to 102,452 tons due to stringent regulatory control by the Agricultural and Processed Food Products Export Development Authority (APEDA) which means improving integrity and better chances for capturing the market in the future.
- Twelve out of 20 countries increased production (most significantly Benin, Brazil, Mali, Nicaragua, Kyrgyzstan and Tajikistan).
- Kyrgyzstan is one of the top 10 producers for the first time.



Organic Cotton Yields

Organic cotton was cultivated on 324,577 ha in 2010/11 compared to 460,973 ha in 2009/10. The drop in production and the forecast for 2011/12 are based on continued decline in area devoted to organic cotton. The stringent requirements from the Indian government to follow organic standards is ultimately going to benefit organic cotton area. The motivation that is driving some conventional producers to shift to organic production has not been affected or reduced. While social and environmental variables are important pillars of the organic movement, only the economic viability of a system can assure its survival. The average conventional yield of the current 20 organic cotton producing countries was 780 kg/ha in 2009/10, compared to an average organic yield of 525 kg/ha. The same 20 countries had average yields of 783 Kg/ha and 466 kg/ha in 2010/11 under conventional and organic production conditions, respectively. The jump in the share of India in global cotton area lowered the world average organic yield and widened the gap between the two production systems. In this group of countries, the average yield under organic conditions in 2007/08 was 6% higher than under conventional conditions. However since 2008/09 the average organic yield in the same group has been lower than the average conventional yield.

Lower yields under organic conditions cannot be directly attributed to imperfect control of insects or lack of proper nourishment of the cotton plant. It is obvious that organic production has lower costs of production due to savings in expensive insecticides and conventional fertilizer costs. The long term benefits of safe technologies are always rewarding. So, an organic cotton producer will weigh in his net return like a conventional grower. The negative effects on yields of unexpected weather or pest events may or may not be similar under the two production systems. Moreover, a possible reason for the lower calculated average yields under the organic system could be that the certified organic cotton area figures reported by the Textile Exchange are in some cases likely to be used for all organic crops, not only cotton. Moreover, some producers sometimes sell part of their organic cotton production as conventional (in particular when conventional cotton prices are high).

Prospects for 2011/12

The number of countries that produce organic cotton is not expected to decrease. However, organic cotton area will decline further in 2011/12, mainly in India. The effects of APEDA regulations will dissipate and the situation is expected to return to normal at the end of 2011/12. The sharp decline in production that took place in 2010/11 for the first time in 10 years will not likely be repeated in the next few years. Organic cotton production is expected to reach 143,600 tons in 2011/12. At this stage it is hoped that production will start gaining momentum from 2012/13 onwards.

FAIRTRADE COTTON – 2011/12 UPDATE

By Damien Sanfilippo, Global Product Manager Cotton, Fairtrade International [10]

Fairtrade Cotton Production

Certified Fairtrade (FT) cotton production was launched in West and Central Africa (Cameroon and Burkina Faso) during 2004-05, and reached the shelves of fashion stores in Europe in March 2005. FT cotton has been grown ever since and is now also produced in India, Mali, Senegal, Brazil, Kirghizstan, and Egypt, with new producers from Uganda also gaining certification in 2011/12. Certified FT cotton production has grown by 22% in 2011/12 to 24,500 tons of lint (63,000 tons of seedcotton), over 60% being also certified organic.

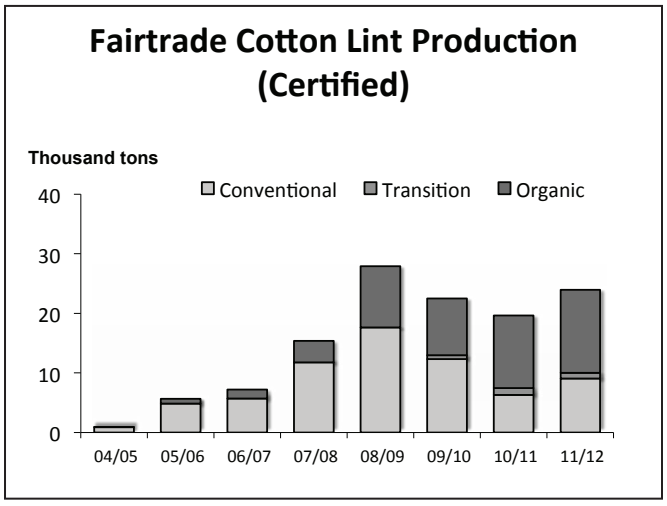
Fairtrade in 2011: Major Evolutions

In 2011, the Fairtrade Labelling Organization (FLO), the umbrella organisation for all Fairtrade Labelling initiatives throughout the world, adopted the name Fairtrade International. All the former Certification Marks in various countries have been replaced by the harmonised international Fairtrade Certification Mark with the exception of the United States where Fairtrade International's member (namely Transfair USA) maintained its historic label. Following the resignation of Transfair USA from its international membership as of January 2012, the international Fairtrade "certified cotton" Mark (It is called the Fairtrade Mark or Fairtrade Certification Mark with its "certified cotton" variation, it is a registered mark, certification is 3rd party and ios65 accredited, this is different from the Fairtrade brand,) is now also available in the US market. A comprehensive global study of 17,000 consumers in 24 countries carried out by the international research consultant GlobeScan[11] in 2011 confirmed that Fairtrade is the most widely recognized ethical label globally. Nearly six in ten consumers, across 24 surveyed countries, now recognize the Fairtrade Certification Mark, in constant augmentation. Recognition even reaches 80 to 90 percent of consumers in countries such as the United Kingdom, Ireland, Switzerland, Netherlands, Austria or Finland. More importantly, nine in ten consumers who recognize the Fairtrade Certification Mark regard it as a trusted label.

The 2011 Fairtrade market report[12] showed that while the global market for FT cotton has remained broadly stable, 2010 was a year of impressive growth for Fairtrade across all product categories. Shoppers spent more than US$5.7 billion on FT products, up by 27 percent over 2009, an extremely encouraging indicator showing that sustainable and ethical production and consumption shows resilience despite the global recession. 25 million items bearing the Fairtrade "certified cotton" Mark were sold in 2010, down from 29 million in 2009. Figures for 2011 are not yet available. Leading markets for FT cotton continue to be the United Kingdom ahead of France, Germany, Switzerland, the Netherlands, and Finland.

The 2011 monitoring report[13] published in December 2011 highlighted that FT producers globally and across all products reported a 22% increase in Fairtrade Premium returns and a 24% increase in FT sales value. An estimated 1.15 million farmers and workers (24% women) benefited from Fairtrade in 2010 and we expect this to have exceeded 1.2 million in 2011. In cotton production, women account for 18% of certified farmers. With Fairtrade, women receive their own income from cotton directly and no longer through their male relatives. In addition to the increased financial independence this gives to women, it also benefits communities as women tend to invest more within the household, on children's education for example. The report also highlights that small producer organizations are increasingly investing in the development of their businesses, for example through processing, productivity, quality improvements, and sustainable resource management. Cotton farmers in India are increasingly choosing to invest their FT premium in drip irrigation. Farmers in West Africa often invest in soil management or soil erosion control projects.

Perhaps the most significant milestone reached in 2011 is the achievement of Fairtrade's vision of producers becoming half-owners of the certification and labeling scheme, making Fairtrade's ownership model unique. Fairtrade Producer



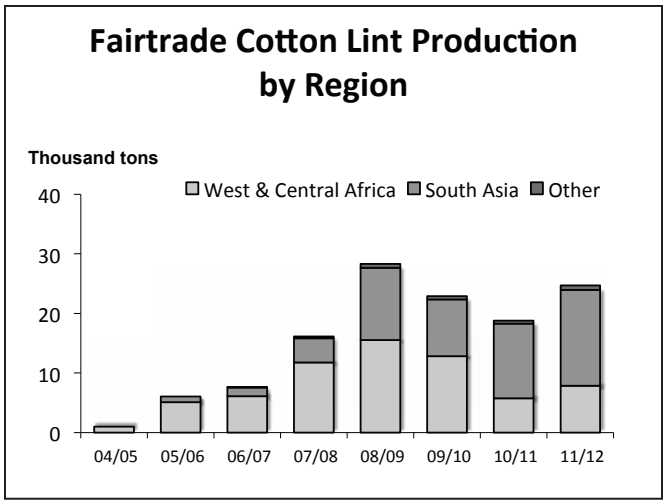
10) The author can be reached by email at <d.sanfilippo@fairtrade.net>.
11) Fairtrade International and GlobeScan, Media Release 11 Oct 2011.
12) Fairtrade International Annual Financials Sales 2010.
13) Fairtrade International, Monitoring the Scope and Benefits of Fairtrade, Third Edition 2011. All documents and more available on www.fairtrade.net.

Networks, representing the 1.15 million certified producers and workers in Asia, Africa, and Latin America (60,000 of which are cotton farmers), now account for 50% of all delegates on the System's general assembly. Producers own half of Fairtrade International, the standards, and the Fairtrade Mark. This ground-breaking approach illustrates the paramount importance within Fairtrade's vision of having producers' voice at the heart of any ethical and sustainable certification scheme.

Fairtrade Cotton in 2012: a New Model Fit for Growth

Since March 2011, Fairtrade has engaged in a complete assessment and revision of the FT cotton model. The initial 5-year development phase has demonstrated a significant positive impact thanks to a perfect fit between the main FT concepts and the needs of smallholder cotton farmers for a more sustainable and fair cotton production. The FT minimum price is a vital tool ensuring farmers the ability to cover their costs and basic needs, and hence allowing them to invest their efforts in cotton farming from a long-term perspective. The FT Premium has proved to be a very effective tool, making it possible for producers to provide for collective needs, according to their own priorities: first, organizational strengthening, second, their own farming business (tools, organic conversion, training, investment in drip irrigation, etc.), and third, the community (health, education). Finally the Fairtrade focus on farmers' democratic participation and general empowerment, offering cotton farmers a much-needed voice, is often seen by farmers as the greatest value of the system.

However, the initial model, "from farm to consumers," needs to be fine tuned toward the specificities of the notably complex, and price sensitive textile industry. Fairtrade is therefore developing a cotton model to fit its ambition:



significant growth into large mainstream markets. Several measures were progressively introduced in 2011, all designed to minimize costs and complexities through the supply chain, while strengthening the added value of FT certified cotton. FT Minimum Prices as well as many trading rules were revised in 2011 in close consultation with stakeholders to make them more relevant to market realities while taking into account rising input costs since 2008. Cost amplification through the supply chain has been minimized, partly through direct partnership building between retailers and farmers. Unnecessary processing restrictions are being progressively lifted. A supply chain management and support service has been created within Fairtrade International, which will progressively facilitate the creation and strengthening of committed and cost-effective supply chains. Research and consultation on the cost of production of lint in mid-2012 will allow stronger transparency in lint costing. Many more measures will progressively come into force in 2012 and 2013, including strengthened support for producers (micro-financing, technical and business training, etc).

Table 1. Fairtrade Minimum Prices and Premium for Seedcotton

Regions		2008-2011	FTMP (€/kg) from 2011-12	*Change*	FT Premium (€/kg) (unchanged)
South and Central America	*G. barbadense*	0.45	0.49	*+ 9%*	0.05
	G. barbadense organic	0.54	0.59	*+ 9%*	0.05
	G. hirsutum	0.41	0.41	-	0.05
	G. hirsutum organic	0.49	0.49	-	0.05
Eastern Africa	*G. hirsutum*	0.36	0.40	*+ 11%*	0.05
	G. hirsutum organic	0.43	0.48	*+ 12%*	0.05
Kyrgystan	*G. hirsutum*	0.46	0.46	-	0.05
	G. hirsutum organic	0.55	0.55	-	0.05
West and Central Africa	*G. hirsutum*	0.42	0.42	-	0.05
	G. hirsutum organic	0.50	0.50	-	0.05
North Africa	*G. barbadense*	0.43	0.48	*+ 12%*	0.05
	G. barbadense organic	0.52	0.58	*+ 12%*	0.05
	G. hirsutum	0.39	0.40	*+ 3%*	0.05
	G. hirsutum organic	0.47	0.48	*+ 2%*	0.05
South Asia	*G. barbadense*	0.45	0.53	*+ 18%*	0.05
	G. barbadense organic	0.54	0.64	*+ 19%*	0.05
	G. hirsutum > 25 mm	0.38	0.44	*+ 16%*	0.05
	G. hirsutum < 24.5 mm	0.38	0.39	*+ 3%*	0.05
	G. hirsutum organic > 25 mm	0.46	0.53	*+ 15%*	0.05
	G. hirsutum organic < 24.5 mm	0.46	0.47	*+ 2%*	0.05

FTMP: Fairtrade Minimum Price
FT Premium: Fairtrade Premium

COTTON MADE IN AFRICA – AN UPDATE

By Christoph Kaut, Managing Director, Aid by Trade Foundation[14]

Update on Developments Since May 2011

Cotton made in Africa (CmiA) is a multi-stakeholder initiative driven by the Aid by Trade Foundation (AbTF), aiming at improving the socioeconomic and environmental living conditions (livelihoods) of smallholder cotton farmers in sub-Saharan African cotton production. CmiA promotes:

- Higher income through higher productivity and improved cotton quality and better access to sales markets;
- Better working conditions through decent work on farms and in ginneries;
- Better environmental performance through optimum application of pesticides, reduction of greenhouse gases, and sound water management.

AbTF looks back at a successful 2011 and beginning 2012. CmiA is now produced by close to half a million farmers and eight cotton companies in three West African and four Southern African countries, with Cargill / Zimbabwe being the latest company to join. During the past year production more than doubled to close to 200,000 tons of lint, roughly split 50/50 between Western and Southern Africa.

The inclusion of additional cotton smallholders and cotton companies was accompanied by extended CmiA / Compaci[15] support to training and access to finance to farmers via partnering cotton companies. Between the beginning of 2009 and the beginning of 2012, about 250,000 cotton farmers were trained in basic agricultural technologies, another 250,000 in Integrated Pest Management, Good Agricultural Practices, conservation farming or harvesting technologies, and 200,000 in the proper use and storage of pesticides.

In 2011, the yearly CmiA/Compaci stakeholder workshop took place in Livingstone / Zambia. This annual event brings together all CmiA partners, from farmers unions and cotton companies to textile manufacturers and retailers. One central topic was the update of CmiA's verification matrix and the introduction of an additional standard under the AbTF: the GMO neutral Smallholder Cotton Standard (SCS). CmiA's verification standard vol. 2 provides stricter criteria for pesticides and water use, excludes biotech cotton indefinitely, and measures the success of farmer training. Beyond producing a strong sustainability claim, the new CmiA verification standard provides an excellent tool for cotton companies to monitor the impact of their training measures in the field. The new criteria vol. 2 and the verification governance are available online (www.cottonmadeinafrica.org). The new SCS is based on the CmiA verification criteria and governance, but it is GMO neutral. The SCS is not yet available online.

The second round of the CmiA third party verification by the verification companies EcoCert and AfriCert took place from November 2011 to January 2012 in West Africa and from February 2012 to April 2012 in Southern Africa[16]. All CmiA entities (cotton companies, ginneries and contracted smallholder cotton farmers) passed the verification and updated their management plans. These plans are the main tool for continuous improvements along the CmiA sustainability criteria. A consolidated verification report will be available on our web page shortly.

A systematic, independent and comparative study of the Better Cotton Initiative (BCI) and CmiA has led to the signature of a Memorandum of Understanding between AbTF and BCI on the way to a full partnership agreement between the two sustainability standards. The main aim is to harmonize systems and procedures and make CmiA cotton available to BCI manufacturers and retailers as early as mid-2012.

One main achievement and key activity of AbTF is its support to manufacturers and retailers in sourcing CmiA and SCS in the value chain. This hands-on service proved its critical importance in supporting match making between supply and demand during the recent high-price period of cotton. Price information on lint cotton and yarn as well as sourcing support provided by AbTF to manufacturers and retailers significantly reduced unrealistic expectations about mark ups and windfall profits in the textile value chain.

Table 1: Cotton made in Africa – Production Figures

Key Production Figures	2010/2011	2011/2012*
Area (ha)	312,159	645,141
Number of producers	235,658	471,222
Number of direct dependents	1,642,412	3,095,881
Production of cotton lint (tons)	89,266	190,307

*Projection

14) The author can be reached by email at <christoph.kaut@abt-foundation.org>.

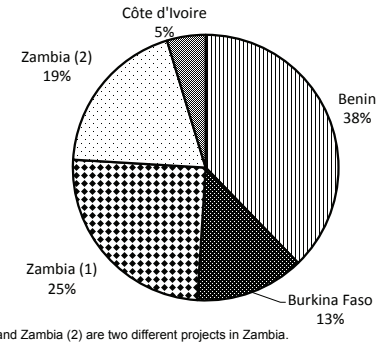
15) Compaci (Competitive African Cotton Initiative) provides financial and technical support to cotton smallholders through cotton companies partnering with AbTF/CmiA. Compaci is managed by DEG GIZ and AbTF and financed by the German Ministry for Economic Development and Cooperation (BMZ) and the Bill & Melinda Gates Foundation.

16) The CmiA verification takes place every two years.

Sales Development

Besides farmer training and cooperation with cotton companies, CmiA's second pillar is the "demand alliance" of textiles retailers and brands that buy and integrate the sustainably produced cotton into their global supply chains, offer sustainable products to their customers and pay back a license fee to the Aid by Trade Foundation. Currently the initiative works with 20 retailers and brands such as Puma, Otto Group, C&A, s.Oliver, Rewe, and Metro Group. Most of CmiA's partners are headquartered in Germany, which can easily be explained by the fact that AbTF and its initiative CmiA have German roots and still a German identity. Nevertheless, the initiative also focuses on international markets, especially North America and the United Kingdom. Both regions have great potential for CmiA with a large number of mass market retailers and – this holds especially true for the United Kingdom- awareness of sustainable products among large consumer groups. Initial contacts have been made and a handful of retailers in the United States, Canada and the United Kingdom have already joined the initiative and started working with the CmiA cotton. As the level of awareness of CmiA among consumers (and retailers) is a crucial success factor, the initiative aims to cooperate with its retail partners in their marketing activities. For example, in the United Kingdom the first product will be launched under the patronage of Sir Steve Red-grave (most successful rower of all times) at the start of the Olympic Games in London.

Overview of Expenditures in AbTF Community Projects
(by Country, with Share of Total)



Note: Zambia (1) and Zambia (2) are two different projects in Zambia.

Besides supporting smallholder training, AbTF is increasingly mobilizing its own funds and funds from retailers and development organizations to supplement investments of cotton companies into projects for the farming community. Projects include health, education and women empowerment. Since 2009, AbTF has mobilized over euro 2.1 million and is actively supporting five community projects in four CmiA countries.

BCI – LAYING THE GROUNDWORK FOR EXPANSION

By Lise Melvin, Executive Director, BCI[17]

The Better Cotton Initiative (BCI) is a multi-stakeholder initiative that brings together producers, ginners, mills, traders, manufacturers, retailers, brands and civil society organizations in a unique partnership to transform cotton production, enabling it to be increasingly sustainable and thereby securing the future of the sector.

It is a global approach that aims to continually improve the mainstream cotton industry, while balancing the very different needs of its stakeholders. Firmly committed to improving the working, social and economic environments of the most vulnerable actors in the cotton supply chain – the smallholder farmer – BCI simultaneously aims to enlist sufficient large producers to ensure a sufficient and growing supply of Better Cotton (BC).

BCI's mission is to transform cotton production so that it is better for the people who produce it, better for the environment it grows in and better for the sector's future.

Table 1: 2010/11 Results

	Number of BC producers	Hectares under BC cultivation	BC Lint Yield (Kg/ha)	Cotton Lint qualified as BC (tons)
Brazil	49	28,000	*NA*	42,000
India	13,000	16,000	625	10,000
Mali	4,000	10,000	300	3,000
Pakistan	12,000	39,000	538	21,000
TOTALS	**29,049**	**93,000**	**828**	**77,000**

17) The author can be reached by email at <lise.melvin@bettercotton.org>.

Table 2: 2011/12 Preliminary Results

All numbers are rounded up to the nearest thousand.

	Number of BC producers	Hectares under BC cultivation	BC Lint Yield (Kg/ha)	Cotton qualified as BC[18]
Brazil*	*Not available yet*	*Not available yet*	*NA*	*Not available yet*
India	36,000	52,000	731	38,000
Mali	11,000	31,000	452	14,000
Pakistan	45,000	150,000	867	130,000
TOTAL	**92,000**	**215,000**	**847**	**182,000**

** The 2011/12 cotton season in Brazil is still underway.*

Table 3: 2012/13 Projections

All numbers are currently estimates.

Country	Number of collaborating producers	Hectares Covered
Brazil	*Not available yet*	*Not available yet*
India	113,000	233,000
Mali	21,000	64,000
Pakistan	68,000	327,000
China	10,000	16,000
TOTALS	**212,000**	**640,000**

Note: the numbers above represent the total number of farmers and hectares involved in BCI projects; "BC cotton" figures are only relevant once producers have qualified (currently done on a yearly basis).

A cornerstone of BCI's strategy is to efficiently connect supply with demand. BCI regional and global staff work closely with ginners, manufacturers and retailers to facilitate the uptake of BC into supply chains.

In our first year of production (2010/11), BCI launched an online system (the BTS) which allows members to identify BC bales and verify the authenticity of bought bales. BCI has worked intensely with ginners and implementing partners to increase the amount of BC purchased by ginners (known as the Gin Uptake Ratio, or GUR). Efforts are paying off as the GUR showed a significant increase over the past year. In Mali, almost 80% of BC seedcotton was purchased by ginners, with numbers for India and Pakistan more than tripling, to 58% and 25% respectively.

2013 Plans and Beyond

In 2012, BCI expanded the number of farmers it works with in all of its focus regions, and began projects in China, with BC expected from the 2012 harvest onwards. Additionally, interest in BC continues to be expressed by different organizations in Central Asia, Southern and Eastern Africa, Turkey and the USA. BCI is keen to expand as rapidly as possible, provided expansion does not come at the cost of BCI's ability to service existing projects, or the credibility of BC.

BCI Members

To generate wide-spread support and involvement in growing BC, BCI collaborates with organizations that have an interest in the cotton supply chain and who support BCI's mission. Since 2010, the BCI membership has expanded from 23 to over 185 members, including retailers, civil society, and all levels of the supply chain. BCI also actively engages with governmental institutions and other relevant organizations outside of membership.

18) These figures represent the lint equivalent to licensed volumes of seedcotton.

2011/12 SUPPLY AND USE OF COTTON BY COUNTRY June 1, 2012

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	1	1		0	0.25	0.25
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	195	1,407	274	106	200	390	50	140	0.32	0.36
USA	3,829	886	3,391	566	3	740	2,482	738	0.23	1.00
N. America	**4,032**	**909**	**3,667**	**674**	**208**	**1,137**	**2,532**	**879**	**0.24**	**0.77**
EL SALVADOR				7	19	22		5	0.22	0.22
GUATEMALA				5	14	16		3	0.21	0.21
HONDURAS	0	316	0		0			0		
C. America	**2**	**510**	**1**	**13**	**33**	**38**	**0**	**8**	**0.21**	**0.21**
ARGENTINA	500	460	230	253	8	150	74	267	1.19	1.78
BOLIVIA	5	531	3	1	1	4	0	1	0.16	0.17
BRAZIL	1,391	1,402	1,951	1,400	12	900	990	1,472	0.78	1.64
CHILE				1	0	1		0	0.18	0.18
COLOMBIA	55	818	45	40	16	77	0	24	0.31	0.31
ECUADOR	1	435	1	3	13	14		3	0.18	0.18
PARAGUAY	72	292	21	8		7	13	8	0.42	1.21
PERU	60	816	49	31	60	108	1	31	0.29	0.29
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	365	6	2	2	8		1	0.17	0.17
S. America	**2,100**	**1,097**	**2,304**	**1,738**	**112**	**1,269**	**1,079**	**1,808**	**0.77**	**1.42**
ALGERIA				1	4	4		1	0.20	0.20
EGYPT	221	821	181	45	25	100	93	58	0.30	0.58
MOROCCO				8	36	36		8	0.22	0.22
SUDAN	130	364	47	10		2	5	50	7.05	23.85
TUNISIA				2	13	13		3	0.21	0.21
N. Africa	**351**	**651**	**228**	**66**	**78**	**155**	**98**	**120**	**0.47**	**0.77**
BENIN	183	422	77	16		4	61	28	0.43	6.94
BURKINA FASO	429	352	151	50		4	138	58	0.41	14.56
CAMEROON	150	511	77	17		2	61	31	0.50	16.40
CENT. AFR. REP.	29	205	6	2			5	2	0.46	
CHAD	172	183	32	14		1	24	21	0.85	41.66
COTE D'IVOIRE	257	370	95	24		2	87	30	0.34	15.14
GUINEA	14	276	4	1			4	2	0.42	
MADAGASCAR				3				3		
MALI	498	371	185	16		3	147	51	0.34	16.86
NIGER	5	444	2	0		1			0.11	0.25
SENEGAL	27	406	11	1		1	9	3	0.28	3.46
TOGO	88	406	36	3			35	4	0.10	
F. Africa	**1,852**	**364**	**675**	**147**		**17**	**573**	**232**	**0.39**	**13.56**
ANGOLA	3	299	1	0		1		0	0.22	0.27
ETHIOPIA	89	239	21	24	1	23	2	22	0.87	0.96
GHANA	20	360	7	1	1	1	6	3	0.42	2.17
KENYA	44	164	7	3	2	9		4	0.41	0.41
MALAWI	200	200	40	13		3	24	25	0.92	8.38
MOZAMBIQUE	170	190	32	17			26	23	0.89	
NIGERIA	350	180	63	16	1	20	32	29	0.56	1.46
SOUTH AFRICA	13	1,027	14	14	17	18	20	7	0.19	0.40
TANZANIA	500	240	120	66		29	45	112	1.52	3.87
UGANDA	160	231	37	6		1	23	19	0.78	16.52
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	320	281	90	38			60	68	1.13	
ZIMBABWE	470	236	111	71		7	96	78	0.76	11.18
S. Africa	**2,361**	**232**	**548**	**276**	**56**	**147**	**336**	**398**	**0.82**	**2.71**
KAZAKHSTAN	140	571	80	8	1	15	62	13	0.17	0.87
KYRGYZSTAN	20	754	15	3	3	2	16	3	0.16	1.46
TAJIKISTAN	201	597	120	44		7	120	37	0.29	5.49
TURKMENISTAN	550	573	315	199		121	120	274	1.14	2.27
UZBEKISTAN	1,316	669	880	307	1	273	532	383	0.48	1.40
C. Asia	**2,227**	**633**	**1,410**	**561**	**5**	**417**	**850**	**709**	**0.56**	**1.70**

2011/12 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) June 1, 2012

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				1	5	4		1	0.16	0.20
AZERBAIJAN	48	500	24	2		10	2	14	1.19	1.43
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				2	15	6	8	3	0.19	0.44
BULGARIA	1	321	0	1	2	2		1	0.34	0.34
CZECH REP.				2	5	6	0	1	0.21	0.21
DENMARK										
ESTONIA										
FINLAND										
FRANCE				2	18	14	4	2	0.11	0.14
GERMANY				9	43	36	8	8	0.17	0.21
GREECE	300	933	280	17	3	25	200	75	0.33	2.99
HUNGARY				0	2	2		0	0.15	0.15
IRELAND				0	0	0		0	0.19	0.19
ITALY				13	50	47	5	11	0.21	0.23
LATVIA				0	0	0		0	0.32	0.32
LITHUANIA				0	0	0		0	0.56	0.56
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				0	5	5		0	0.09	
NORWAY										
POLAND				0	3	3		0	0.11	0.11
PORTUGAL				5	25	25		5	0.20	0.20
ROMANIA				0	1	1		0	0.13	0.13
RUSSIA	1	516	1	20	120	115		26	0.23	0.23
SLOVAK REP.										
SPAIN	67	890	60	8	4	7	55	10	0.15	1.37
SWEDEN				0	0	0		0	0.24	0.24
SWITZERLAND				1	5	5	0	1	0.19	0.20
UKRAINE				1	4	4		1	0.21	0.21
UNITED KINGDOM				0	0	0		0	0.22	0.22
FORMER YUGOSLAVIA				1	6	6		1	0.22	0.22
Europe	**417**	**874**	**365**	**93**	**332**	**340**	**283**	**166**	**0.20**	**0.49**
Including EU-27	**368**	**924**	**340**	**62**	**181**	**186**	**281**	**117**	**0.25**	**0.63**
CHINA	5,528	1,339	7,400	2,165	4,553	9,018	5	5,095	0.56	0.56
TAIWAN				43	200	190		53	0.28	0.28
HONG KONG				12	25	12	18	8	0.26	0.67
Sub total	**5,528**	**1,339**	**7,400**	**2,221**	**4,778**	**9,220**	**23**	**5,156**	**0.56**	**0.56**
AUSTRALIA	600	1,741	1,045	459	0	8	860	636	0.73	75.89
INDONESIA	9	711	6	78	446	431	4	96	0.22	0.22
JAPAN				19	61	65		15	0.23	0.23
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				43	250	243		50	0.20	0.20
MALAYSIA				34	170	35	130	39	0.24	1.12
PHILIPPINES	0	563	0	3	5	7		1	0.21	0.21
SINGAPORE				2	1		1	2	1.21	
THAILAND	2	513	1	77	245	270		53	0.20	0.20
VIETNAM	10	461	5	77	360	370		72	0.19	0.19
E. Asia	**641**	**1,661**	**1,065**	**796**	**1,543**	**1,442**	**996**	**967**	**0.40**	**0.67**
AFGHANISTAN	50	410	20	20		4	16	20	0.99	4.87
BANGLADESH	36	400	14	194	650	700		158	0.23	0.23
INDIA	12,191	481	5,865	1,668	120	4,343	1,718	1,592	0.26	0.37
MYANMAR	349	581	203	93		192		104	0.54	0.54
PAKISTAN	3,000	765	2,294	384	150	2,121	210	497	0.21	0.23
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	**15,629**	**537**	**8,399**	**2,361**	**921**	**7,364**	**1,944**	**2,373**	**0.25**	**0.32**
IRAN	115	591	68	28	67	135		28	0.21	0.21
IRAQ	20	358	7	1	5	13		1	0.09	0.09
ISRAEL	9	1,930	17	1			17	1	0.08	
SYRIA	180	1,100	198	54		150	3	99	0.65	0.66
TURKEY***	475	1,579	750	275	550	1,250	7	318	0.25	0.25
Sub total	**837**	**1,259**	**1,055**	**366**	**633**	**1,572**	**27**	**454**	**0.40**	**0.29**
WORLD TOTAL	**35,958**	**754**	**27,109**	**9,310**	**8,700**	**23,111**	**8,741**	**13,268**	**0.57**	**0.57**

*/ Ending stocks divided by consumption plus exports. Subtotals and total include countries not shown.

**/ Ending stocks divided by consumption.

***/ Turkey's production and consumption estimates are currently under review within the Secretariat.

2012/13 SUPPLY AND USE OF COTTON BY COUNTRY June 1, 2012

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	1	1		0	0.26	0.26
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	157	1,350	212	140	185	351	39	146	0.37	0.42
USA	4,139	901	3,730	738	3	696	2,761	1,015	0.29	1.46
N. America	**4,305**	**916**	**3,944**	**879**	**192**	**1,053**	**2,800**	**1,162**	**0.30**	**1.10**
EL SALVADOR				5	22	22		5	0.22	0.22
GUATEMALA				3	16	16		3	0.21	0.21
HONDURAS	0	316	0	0				0		
C. America	**2**	**510**	**1**	**8**	**37**	**38**	**0**	**8**	**0.21**	**0.21**
ARGENTINA	400	480	192	267	8	158	65	245	1.10	1.55
BOLIVIA	5	536	3	1	1	3		1	0.21	0.21
BRAZIL	1,183	1,438	1,701	1,472	17	900	710	1,581	0.98	1.76
CHILE				0	1	1		0	0.18	0.18
COLOMBIA	50	826	41	24	40	81	0	24	0.29	0.29
ECUADOR	1	440	1	3	14	14		3	0.18	0.18
PARAGUAY	65	300	19	8		7	13	8	0.41	1.16
PERU	54	824	44	31	62	106	1	31	0.29	0.30
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	368	6	1	2	8		1	0.17	0.17
S. America	**1,772**	**1,132**	**2,007**	**1,808**	**146**	**1,278**	**789**	**1,893**	**0.92**	**1.48**
ALGERIA				1	4	4		1	0.20	0.20
EGYPT	165	811	134	58	80	115	111	46	0.21	0.40
MOROCCO				8	36	36		8	0.22	0.22
SUDAN	117	368	43	50		2	32	59	1.70	26.68
TUNISIA				3	13	13		3	0.21	0.21
N. Africa	**283**	**627**	**177**	**120**	**133**	**170**	**143**	**116**	**0.37**	**0.68**
BENIN	192	427	82	28		4	77	29	0.35	7.18
BURKINA FASO	472	365	172	58		4	158	69	0.43	17.24
CAMEROON	165	464	76	31		2	71	34	0.47	18.10
CENT. AFR. REP.	28	207	6	2			6	2	0.40	
CHAD	200	182	36	21		1	36	21	0.56	41.18
COTE D'IVOIRE	270	370	100	30		2	97	31	0.32	15.73
GUINEA	14	289	4	2			4	2	0.40	
MADAGASCAR				3				3		
MALI	523	374	196	51		3	160	84	0.51	27.88
NIGER	5	448	2	0		1			0.11	0.25
SENEGAL	31	375	11	3		1	10	3	0.26	3.76
TOGO	92	275	25	4			26	3	0.10	
F. Africa	**1,992**	**357**	**711**	**232**		**17**	**646**	**281**	**0.42**	**16.38**
ANGOLA	3	302	1	0		1		0	0.23	0.34
ETHIOPIA	80	241	19	22	1	21	3	17	0.70	0.81
GHANA	18	364	7	3	1	1	5	4	0.59	2.97
KENYA	40	180	7	4	2	9		4	0.46	0.46
MALAWI	180	202	36	25		3	36	23	0.59	7.59
MOZAMBIQUE	153	192	29	23			33	19	0.57	
NIGERIA	315	182	57	29	1	19	42	26	0.42	1.33
SOUTH AFRICA	11	960	10	7	27	18	20	7	0.19	0.40
TANZANIA	400	242	97	112		29	88	93	0.80	3.20
UGANDA	128	240	31	19		1	31	17	0.52	14.86
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	288	284	82	68			88	61	0.70	
ZIMBABWE	423	238	101	78		5	101	73	0.69	14.61
S. Africa	**2,061**	**234**	**482**	**398**	**65**	**143**	**450**	**352**	**0.59**	**2.46**
KAZAKHSTAN	133	574	76	13	1	15	63	13	0.17	0.87
KYRGYZSTAN	19	758	14	3	3	2	15	3	0.17	1.46
TAJIKISTAN	191	550	105	37		7	96	39	0.38	5.82
TURKMENISTAN	550	576	317	274		133	162	295	1.00	2.22
UZBEKISTAN	1,285	670	861	383	1	281	548	415	0.50	1.48
C. Asia	**2,178**	**631**	**1,373**	**709**	**5**	**437**	**884**	**766**	**0.58**	**1.75**

2012/13 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) June 1, 2012

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				1	4	4		1	0.21	0.21
AZERBAIJAN	33	450	15	14		10	7	12	0.67	1.16
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				3	14	6	8	3	0.19	0.45
BULGARIA	1	321	0	1	2	2		0	0.24	0.24
CZECH REP.				1	6	6	0	1	0.21	0.22
DENMARK										
ESTONIA										
FINLAND										
FRANCE				2	17	14	4	2	0.10	0.13
GERMANY				8	39	33	6	7	0.18	0.22
GREECE	300	900	270	75	2	21	234	92	0.36	4.33
HUNGARY				0	1	1		0	0.15	0.15
IRELAND				0	0	0		0	0.21	0.21
ITALY				11	49	45	4	11	0.22	0.24
LATVIA				0	0	0		0	0.32	0.32
LITHUANIA				0	0	0		0	0.56	0.56
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				0	5	5		0	0.09	
NORWAY										
POLAND				0	3	3		0	0.11	0.11
PORTUGAL				5	24	24		5	0.21	0.21
ROMANIA				0	1	1		0	0.13	0.13
RUSSIA	1	519	1	26	102	106		24	0.23	0.23
SLOVAK REP.										
SPAIN	67	800	54	10	4	7	49	12	0.21	1.73
SWEDEN				0	0	0		0	0.25	0.25
SWITZERLAND				1	5	5	0	1	0.20	0.21
UKRAINE				1	4	4		1	0.22	0.22
UNITED KINGDOM				0	0	0		0	0.23	0.23
FORMER YUGOSLAVIA				1	6	6		1	0.22	0.22
Europe	**402**	**844**	**340**	**166**	**305**	**319**	**312**	**179**	**0.20**	**0.56**
Including EU-27	**368**	**881**	**324**	**117**	**173**	**174**	**305**	**136**	**0.28**	**0.78**
CHINA	4,975	1,290	6,417	5,095	3,315	9,379	5	5,443	0.58	0.58
TAIWAN				53	181	181		53	0.30	0.30
HONG KONG				8	26	11	16	7	0.25	0.60
Sub total	**4,975**	**1,290**	**6,417**	**5,156**	**3,522**	**9,571**	**21**	**5,503**	**0.57**	**0.58**
AUSTRALIA	525	2,045	1,074	636	0	8	898	804	0.89	100.99
INDONESIA	9	714	6	96	463	448	4	113	0.25	0.25
JAPAN				15	56	59		13	0.22	0.22
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				50	238	238		50	0.21	0.21
MALAYSIA				39	170	35	130	44	0.27	1.26
PHILIPPINES	0	566	0	1	7	7		1	0.21	0.21
SINGAPORE				2	1		1	1	0.80	
THAILAND	2	516	1	53	260	257		58	0.23	0.23
VIETNAM	11	463	5	72	397	396		78	0.20	0.20
E. Asia	**567**	**1,930**	**1,094**	**967**	**1,598**	**1,459**	**1,034**	**1,166**	**0.47**	**0.80**
AFGHANISTAN	50	410	20	20		4	18	18	0.80	4.34
BANGLADESH	36	402	14	158	767	749		191	0.25	0.25
INDIA	10,972	495	5,431	1,592	120	4,647	826	1,670	0.31	0.36
MYANMAR	349	584	204	104		192		117	0.61	0.61
PAKISTAN	3,000	700	2,100	497	318	2,227	120	568	0.24	0.25
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	**14,410**	**539**	**7,772**	**2,373**	**1,207**	**7,823**	**964**	**2,564**	**0.29**	**0.33**
IRAN	104	597	62	28	73	135		28	0.21	0.21
IRAQ	20	360	7	1	5	13		1	0.09	0.09
ISRAEL	8	1,850	14	1			14	1	0.09	
SYRIA	126	1,105	139	99		130		109	0.83	0.83
TURKEY***	356	1,550	552	318	766	1,300	7	329	0.25	0.25
Sub total	**652**	**1,211**	**789**	**454**	**855**	**1,602**	**22**	**474**	**0.46**	**0.30**
WORLD TOTAL	**33,580**	**747**	**25,101**	**13,268**	**8,066**	**23,904**	**8,066**	**14,464**	**0.61**	**0.61**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

***/ Turkey's production and consumption estimates are currently under review within the Secretariat.

Subtotals and total include countries not shown.

ICAC

SUPPLY AND DISTRIBUTION OF COTTON

June 1, 2012

Seasons begin on August 1

	2007/08	2008/09	2009/10	2010/11 Est.	2011/12 Proj.	2012/13 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	**12.806**	**12.249**	**11.921**	**8.695**	**9.310**	**13.27**
CHINA	3.653	3.321	3.585	2.780	2.165	5.09
USA	2.064	2.188	1.380	0.642	0.566	0.74
PRODUCTION*						
WORLD TOTAL	**26.073**	**23.455**	**22.170**	**25.103**	**27.109**	**25.10**
CHINA	8.071	8.025	6.925	6.400	7.400	6.42
INDIA	5.219	4.930	5.185	5.765	5.865	5.43
USA	4.182	2.790	2.654	3.942	3.391	3.73
BRAZIL	1.602	1.214	1.194	1.960	1.951	1.70
PAKISTAN	1.900	1.926	2.070	1.907	2.294	2.10
UZBEKISTAN	1.206	1.000	0.850	0.910	0.880	0.86
OTHERS	3.894	3.569	3.292	4.219	5.329	4.86
CONSUMPTION*						
WORLD TOTAL	**26.627**	**23.777**	**25.343**	**24.484**	**23.111**	**23.90**
CHINA	10.900	9.265	10.099	9.594	9.018	9.38
INDIA	4.053	3.872	4.300	4.591	4.343	4.65
PAKISTAN	2.649	2.519	2.393	2.100	2.121	2.23
EAST ASIA & AUSTRALIA	1.829	1.674	1.857	1.755	1.643	1.65
EUROPE & TURKEY	1.747	1.413	1.550	1.495	1.448	1.49
BRAZIL	0.993	1.000	1.024	0.958	0.900	0.90
USA	0.998	0.771	0.773	0.849	0.740	0.70
CIS	0.664	0.596	0.604	0.570	0.559	0.57
OTHERS	2.794	2.666	2.743	2.571	2.338	2.35
EXPORTS						
WORLD TOTAL	**8.465**	**6.609**	**7.806**	**7.624**	**8.741**	**8.07**
USA	2.968	2.887	2.621	3.130	2.482	2.76
INDIA	1.630	0.515	1.420	1.085	1.718	0.83
UZBEKISTAN	0.915	0.650	0.820	0.600	0.532	0.55
AUSTRALIA	0.265	0.261	0.460	0.545	0.860	0.90
CFA ZONE	0.603	0.469	0.561	0.477	0.569	0.64
BRAZIL	0.486	0.596	0.433	0.435	0.990	0.71
IMPORTS						
WORLD TOTAL	**8.467**	**6.598**	**7.875**	**7.672**	**8.700**	**8.07**
CHINA	2.511	1.523	2.374	2.609	4.553	3.31
EAST ASIA & AUSTRALIA	1.860	1.665	1.936	1.774	1.768	1.80
EUROPE & TURKEY	1.081	0.862	1.170	0.969	0.744	0.95
PAKISTAN	0.851	0.417	0.342	0.314	0.150	0.32
CIS	0.267	0.231	0.209	0.132	0.142	0.12
TRADE IMBALANCE 1/	**0.002**	**-0.011**	**0.069**	**0.047**	**-0.041**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.005**	**0.007**	**-0.123**	**-0.051**	**0.000**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**12.249**	**11.921**	**8.695**	**9.310**	**13.268**	**14.46**
CHINA	3.321	3.585	2.780	2.165	5.095	5.44
USA	2.188	1.380	0.642	0.566	0.738	1.01
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	**57**	**57**	**39**	**48**	**58**	**62**
CHINA 4/	**30**	**39**	**28**	**23**	**56**	**58**
COTLOOK A INDEX 5/	**72.90**	**61.20**	**77.54**	**164.26**	**103****	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.
2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.
3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.
4/ China's ending stocks divided by China's mill use, multiplied by 100.
5/ U.S. cents per pound.
* Turkey's production and consumption estimates are currently under review within the Secretariat.
** Average for the first ten months of 2011/12 (August 2011 to May 2012).