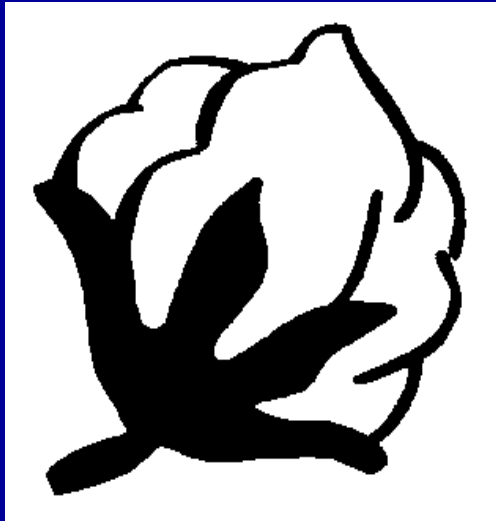


World Textile Demand and Cotton Pricing



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Economist



International Cotton Advisory Committee

2017 Research Associates Program
Washington DC
April 2017

Overview

- Market fundamentals
- World Textile Demand
- Cotton Prices



ICAC'S STATISTICS ON COTTON SUPPLY & USE

Who uses ICAC data



Member governments
Private sector
Academia
International Organizations
General Public

• How many countries are involved in the cotton sector?

- 80 producing countries
- 90 consuming countries
- 120 importing and/or exporting countries

Data collected for each country:

- | | |
|--------------------|----------------------------|
| - Beginning stocks | - Production (area, yield) |
| - Imports | - Consumption |
| - Exports | - Ending stocks |



World Supply =
Beginning Stocks + Production

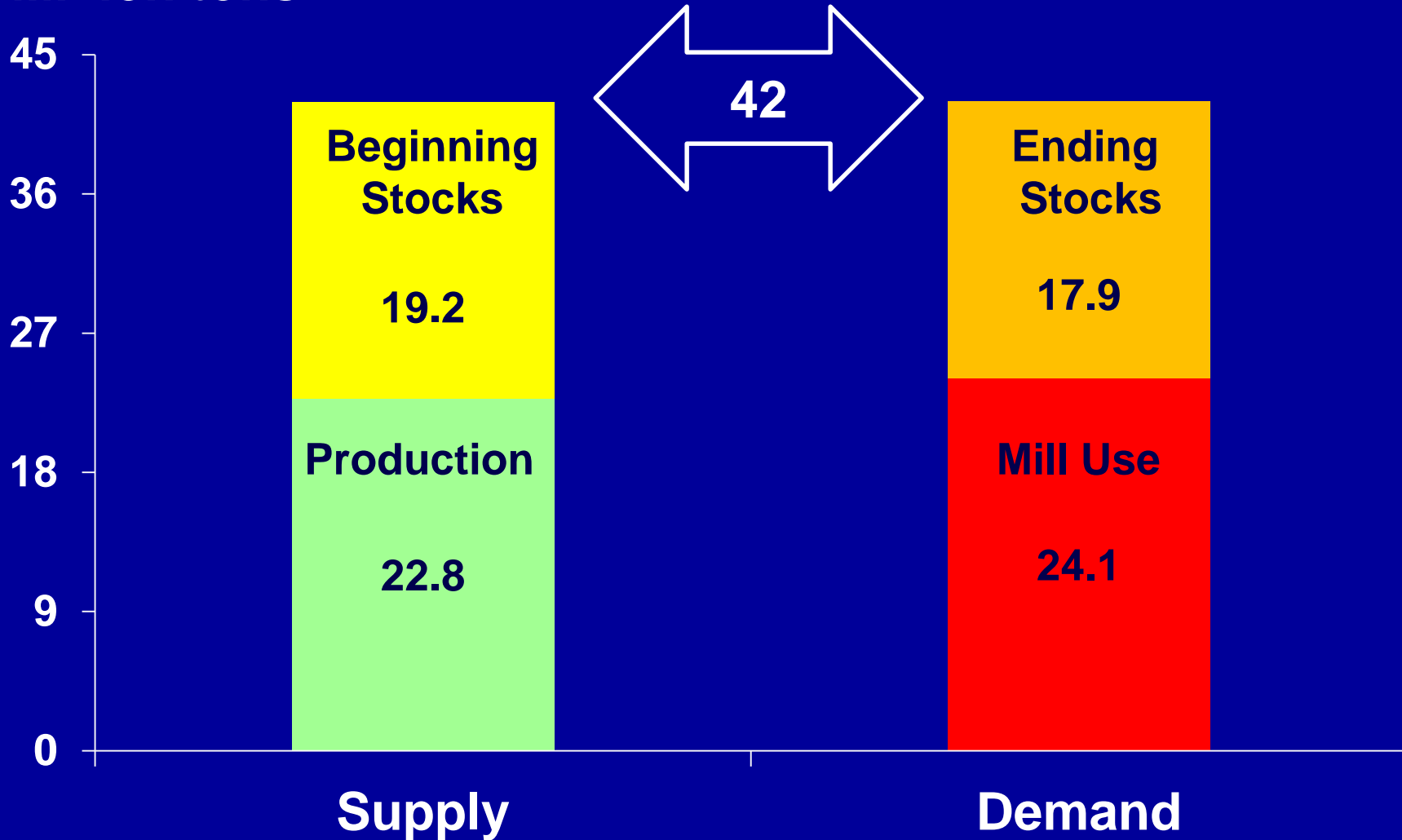
World Demand =
Mill Use + Ending Stocks

World Supply = World Demand



World Cotton Fundamentals 2016/17

Million tons



Supply = Demand

higher/lower production

=

higher/lower Ending Stocks



Supply = Demand

higher/lower mill use

=

lower/higher Ending Stocks



Country Supply =
Beginning Stocks + Production +
Imports

Country Demand =
Mill Use + Ending Stocks +
Exports

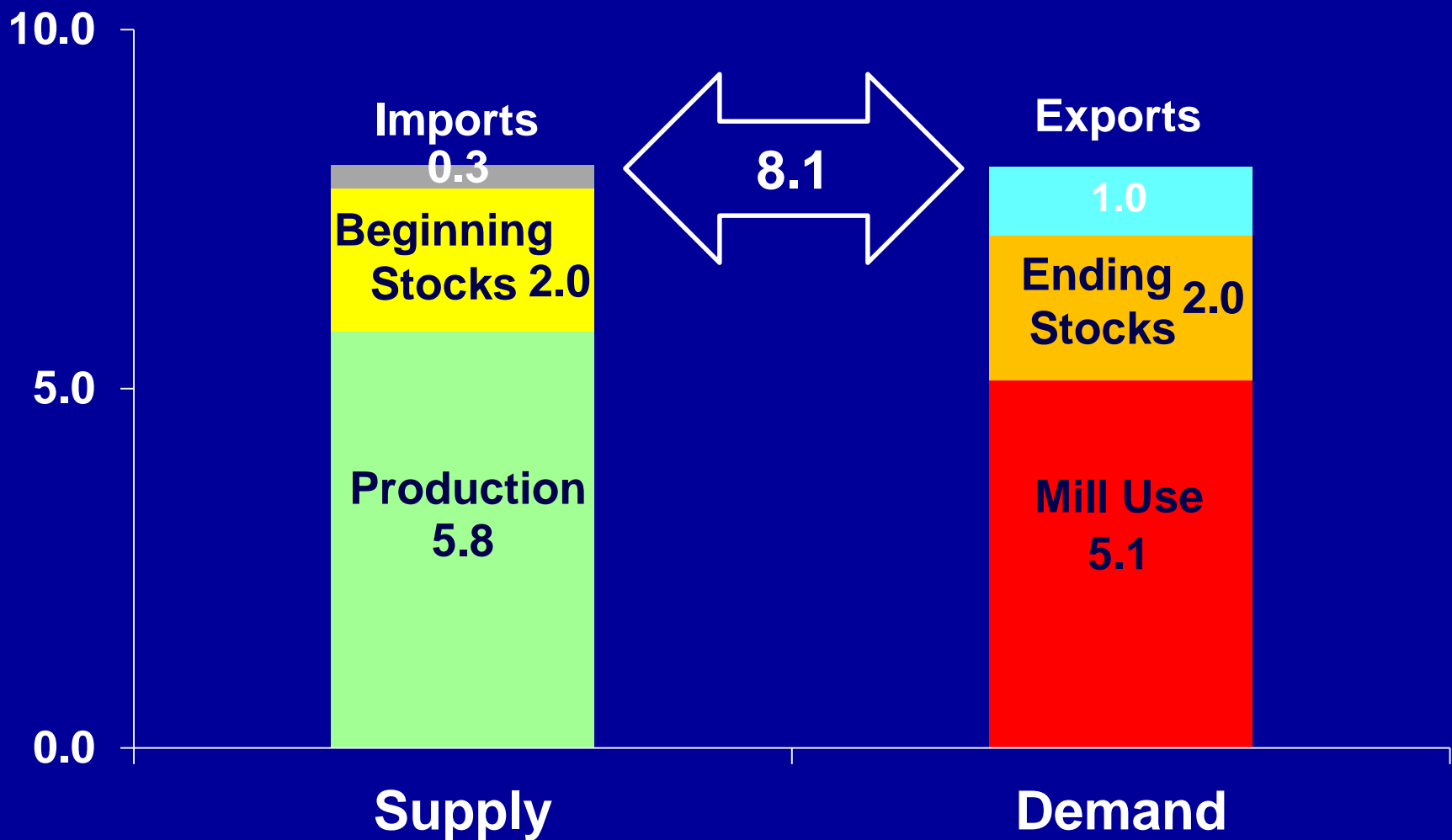
Country Supply = Country Demand



Cotton Fundamentals 2016/17

India

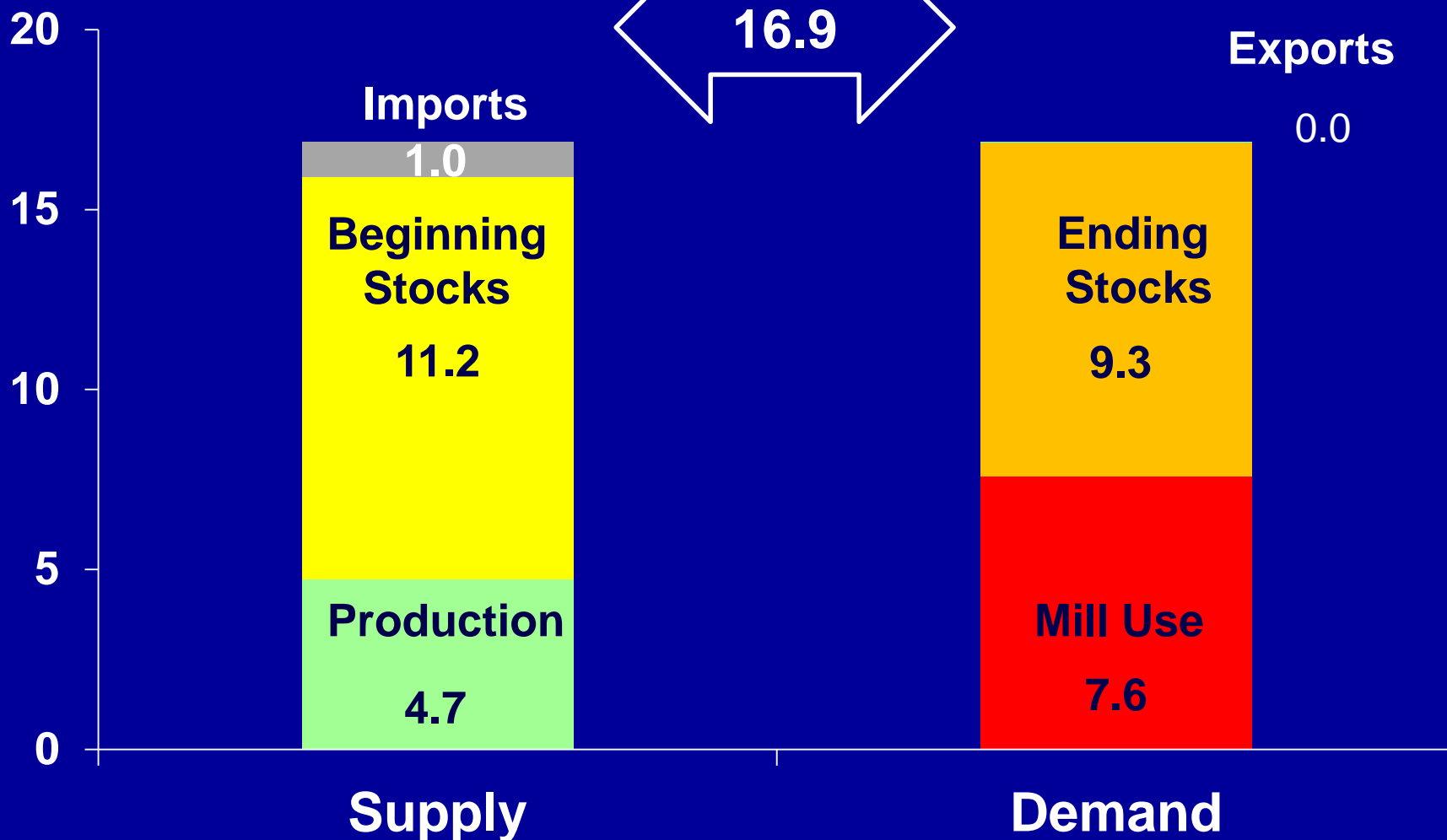
Million tons



Cotton Fundamentals 2016/17

China

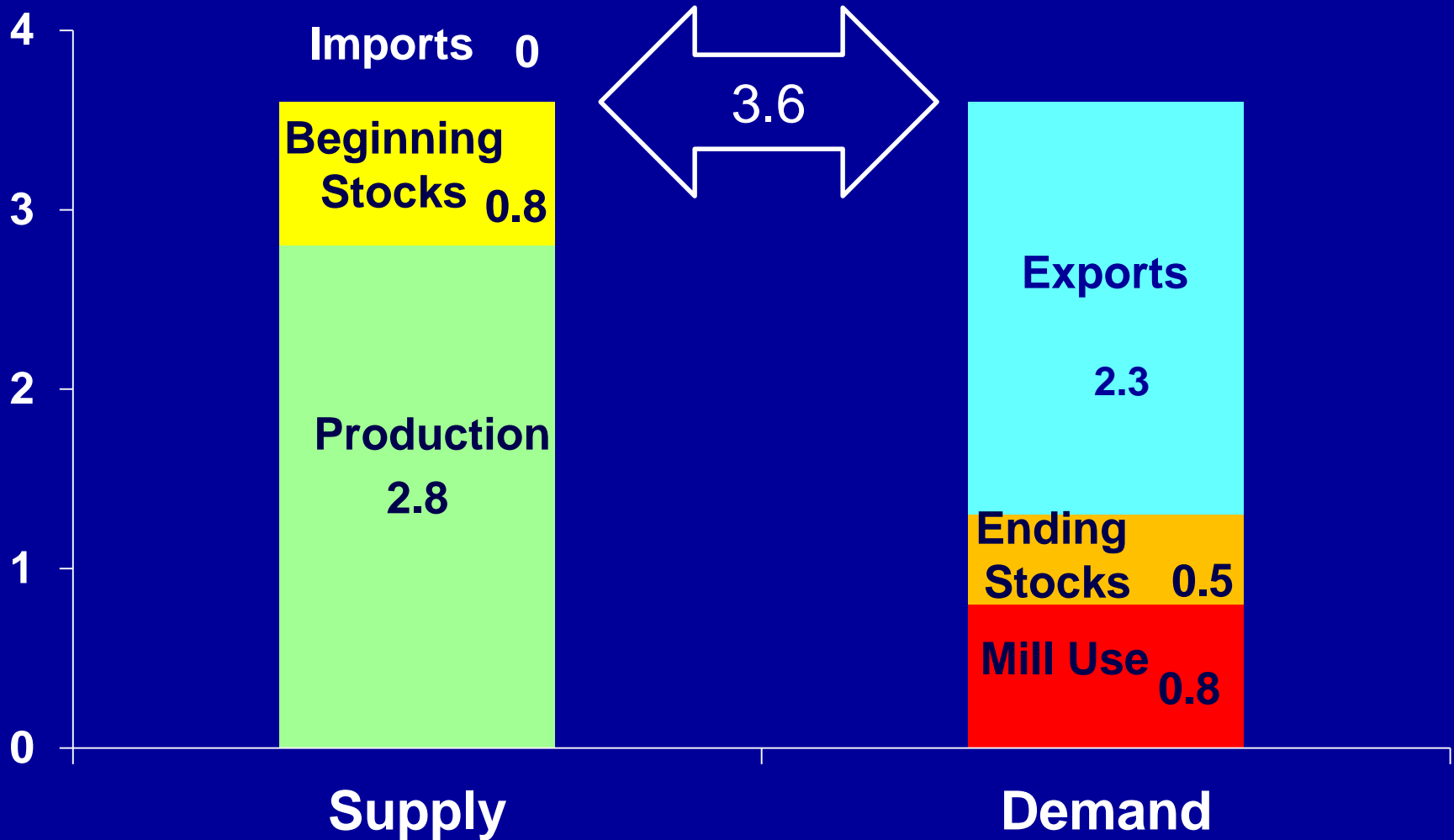
Million tons



Cotton Fundamentals 2016/17

USA

Million tons



Important Concepts

- World Ending Stocks =
Beginning Stocks + Production – Mill Use
- World Stocks to Use Ratio =
Ending Stocks / Mill Use

World Ending Stocks 2016/17 = 18.6

World Stocks to Use Ratio 2016/17 = 18.6 / 23.9
= 0.78

Important Concepts

- Country Ending Stocks =
Beg. Stocks + Prod. + Imports – Exports – Mill Use
- Country Stocks to Mill Use Ratio =
Ending Stocks / Mill Use
- Country Stocks to Use Ratio =
Ending Stocks / (Mill Use + Exports)

CHINA:

Ending Stocks 2016/17 = 9.3

Stocks to Mill Use Ratio 16/17 = $9.3 / 7.6 = 1.22$

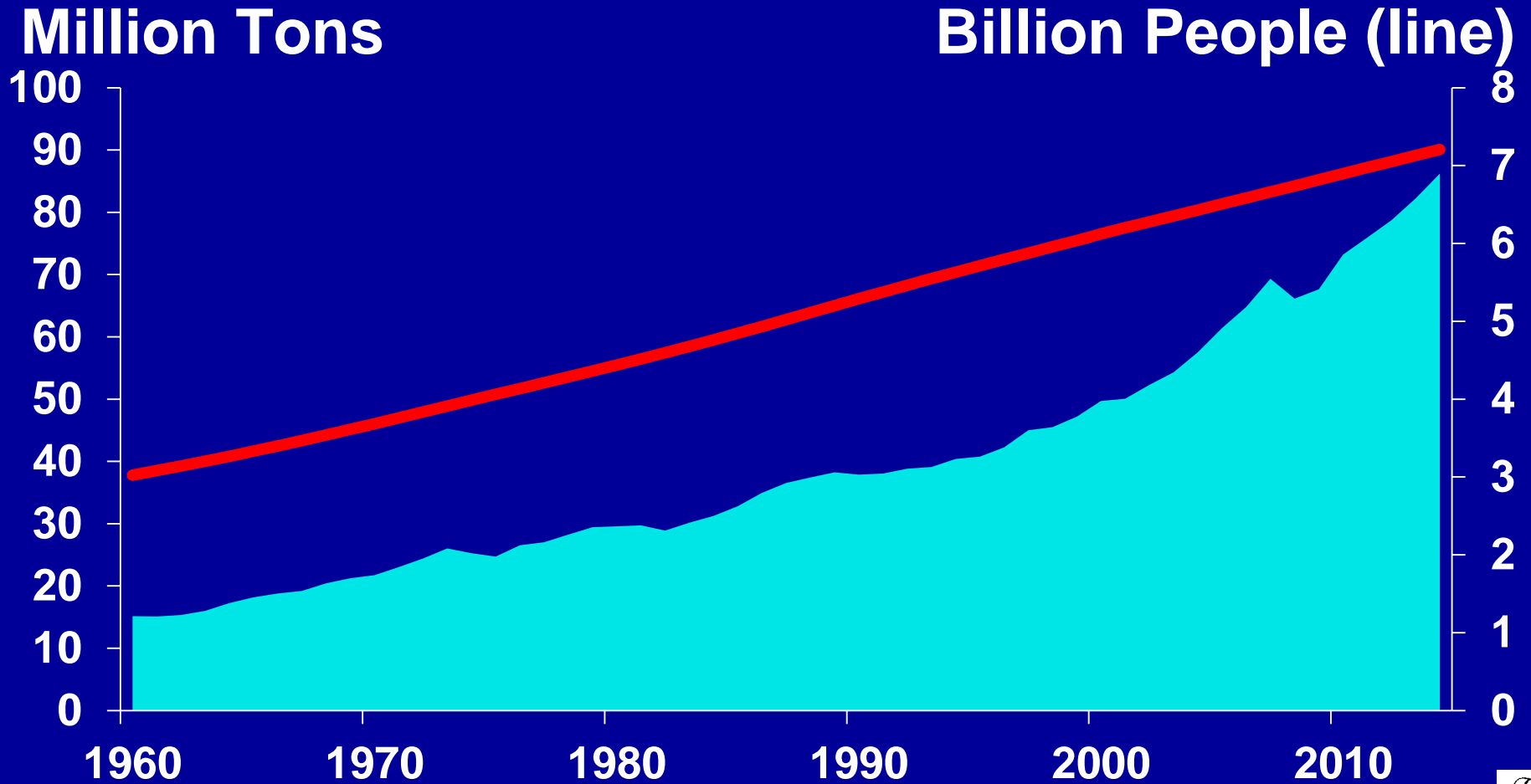
Stocks to Use Ratio 16/17 = $9.3 / (7.6 + 0) = 1.22$

Drivers of Cotton Consumption:

- 1) Relative prices vs. other fibers
- 2) Population
- 3) Income per capita

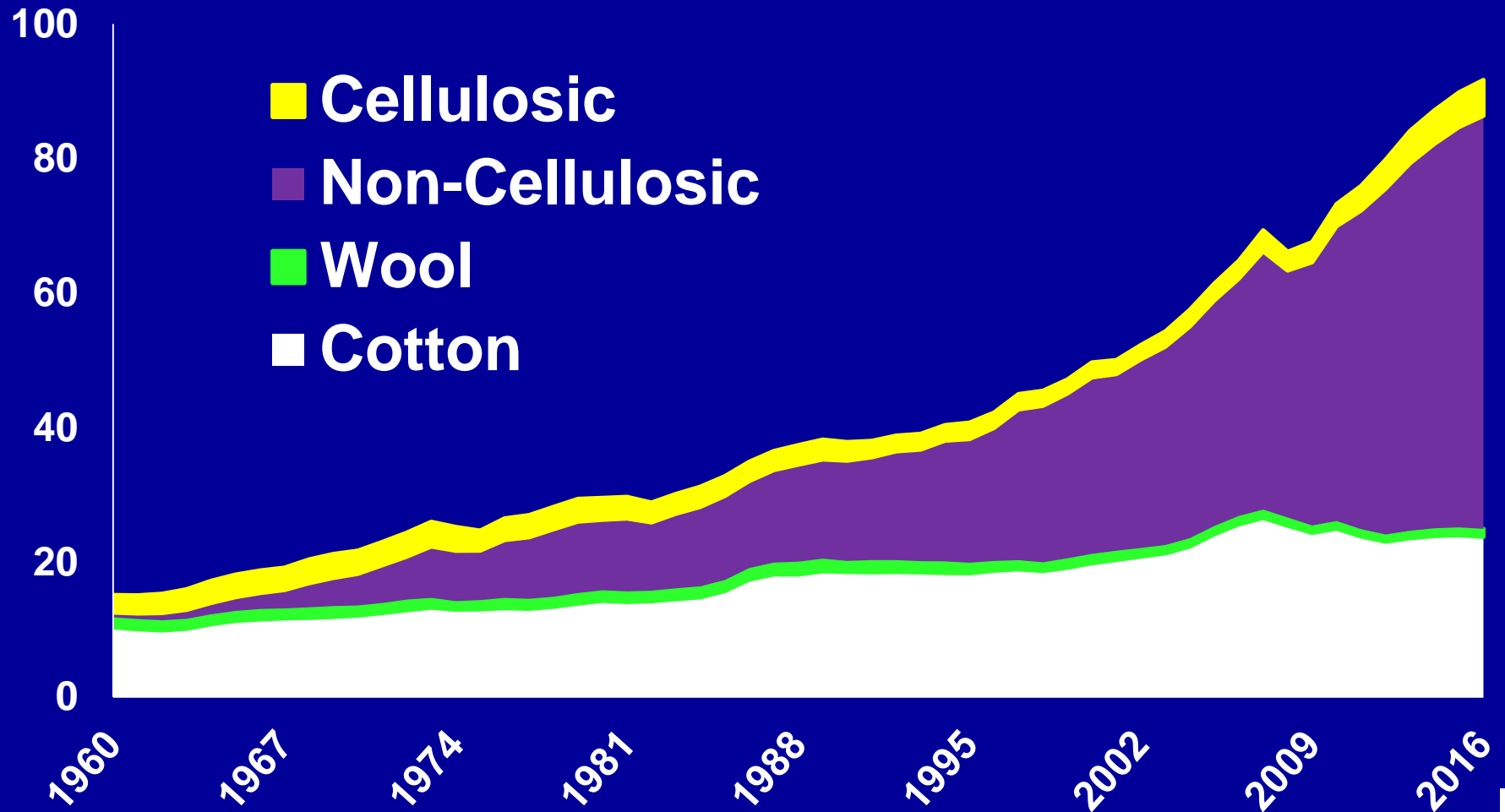


World Consumption of Textile Fibers and Population



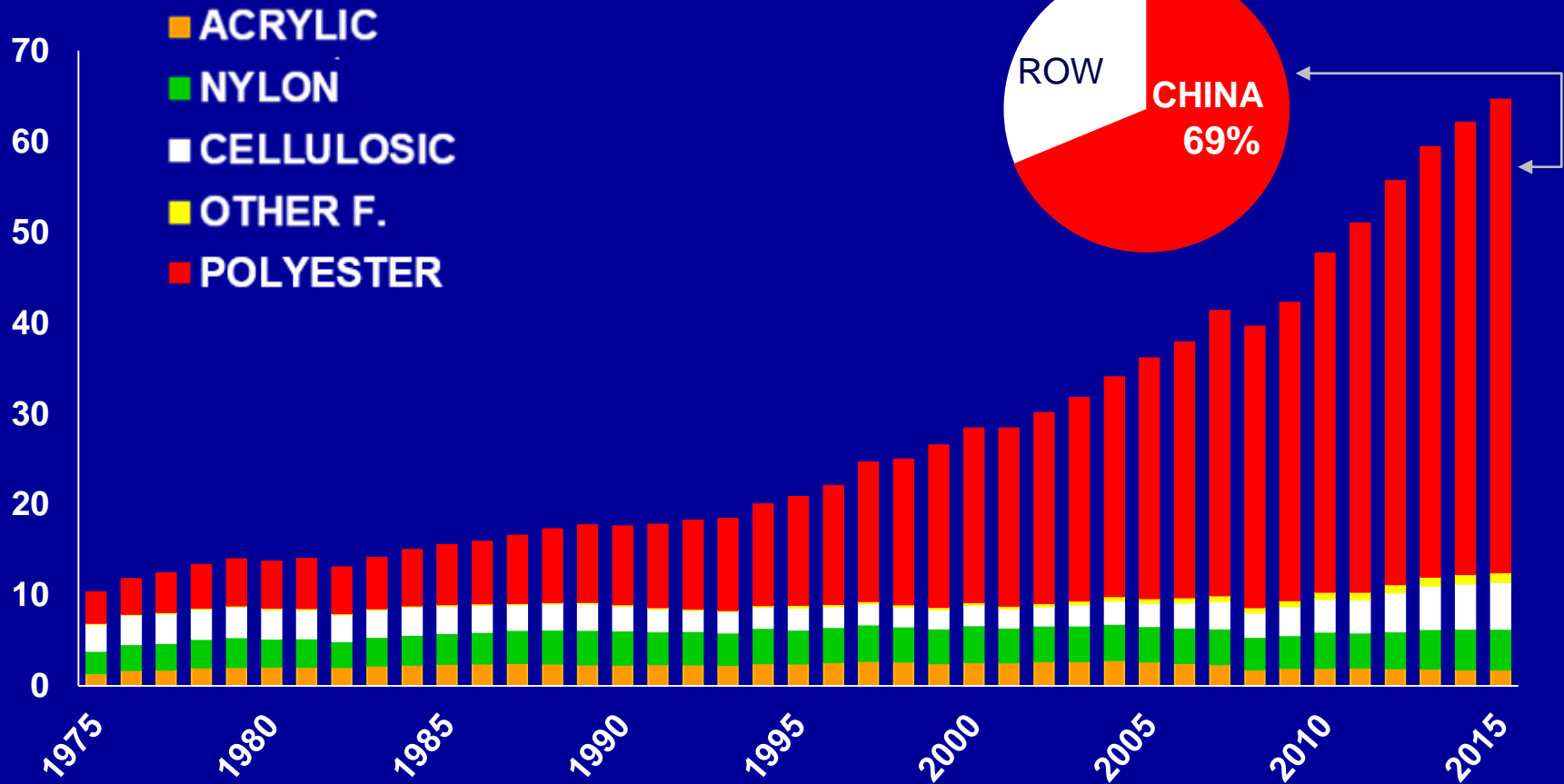
WORLD CONSUMPTION OF TEXTILE FIBERS

million tons



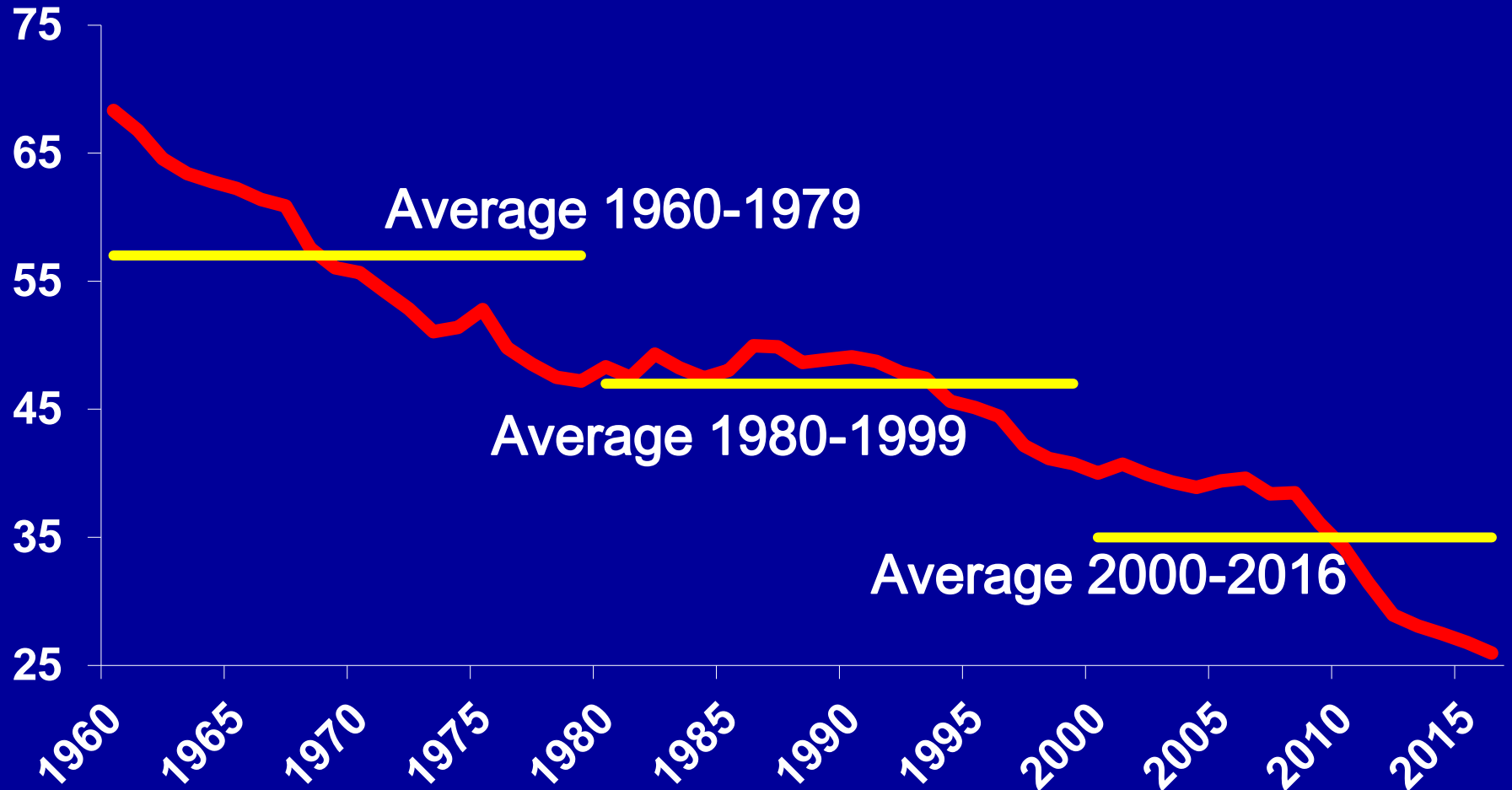
SYNTHETIC FIBER PRODUCTION

Mill Tons



MARKET SHARE OF COTTON IN WORLD TEXTILE FIBERS CONSUMPTION

Percentage



PROMOTE DEMAND

Consumer Education: Labeling



Promotional Campaigns



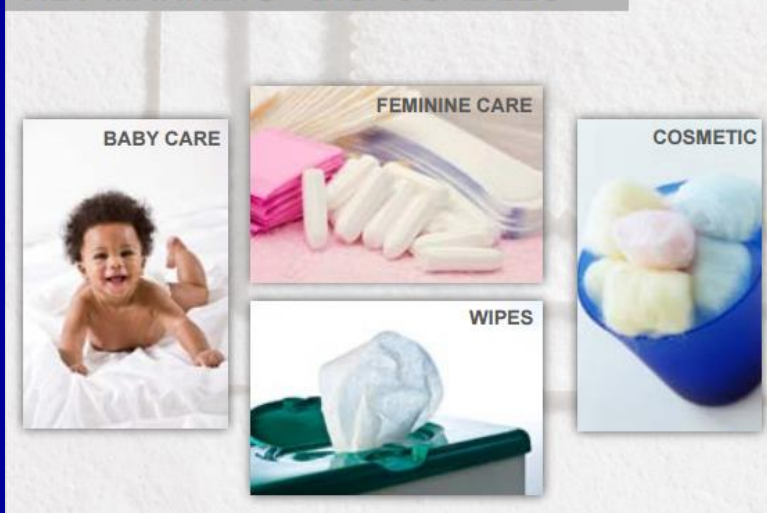
Use more COTTON!!!



IMPROVE COTTON FIBER PERFORMANCE

NONWOVENS

KEY MARKETS - DISPOSABLES



Source: Cotton INC

KEY MARKETS - DURABLES



Source: Cotton INC



SUSTAINABILITY

Reduce environmental impact



- The Indicators framework recommended by SEEP, provides a common language to measure sustainability in cotton production all over the world.
- Change people's perception about cotton production and show actual results on sustainability and improvements by country.
- 12 countries have tested the indicators framework.



Yoga pants, cozy clothes may be key source of sea pollution



FEATURE

The massive problem of microplastics

How your clothes are poisoning our oceans and food supply

New studies show that alarming numbers of tiny fibers from synthetic fabrics are making their way from your washing machine into aquatic animals



WHAT GOES IN THE OCEAN GOES IN YOU.

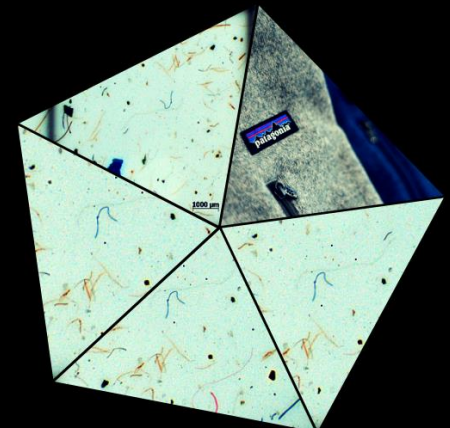
RECENT STUDIES ESTIMATE THAT FISH OFF THE WEST COAST INGEST OVER 12,000 TONS OF PLASTIC A YEAR. FIND OUT HOW YOU CAN HELP TURN THE TIDE ON PLASTIC POLLUTION AT WWW.SURFRIDER.ORG/RAP

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SURFRIDER FOUNDATION

RISE ABOVE PLASTICS

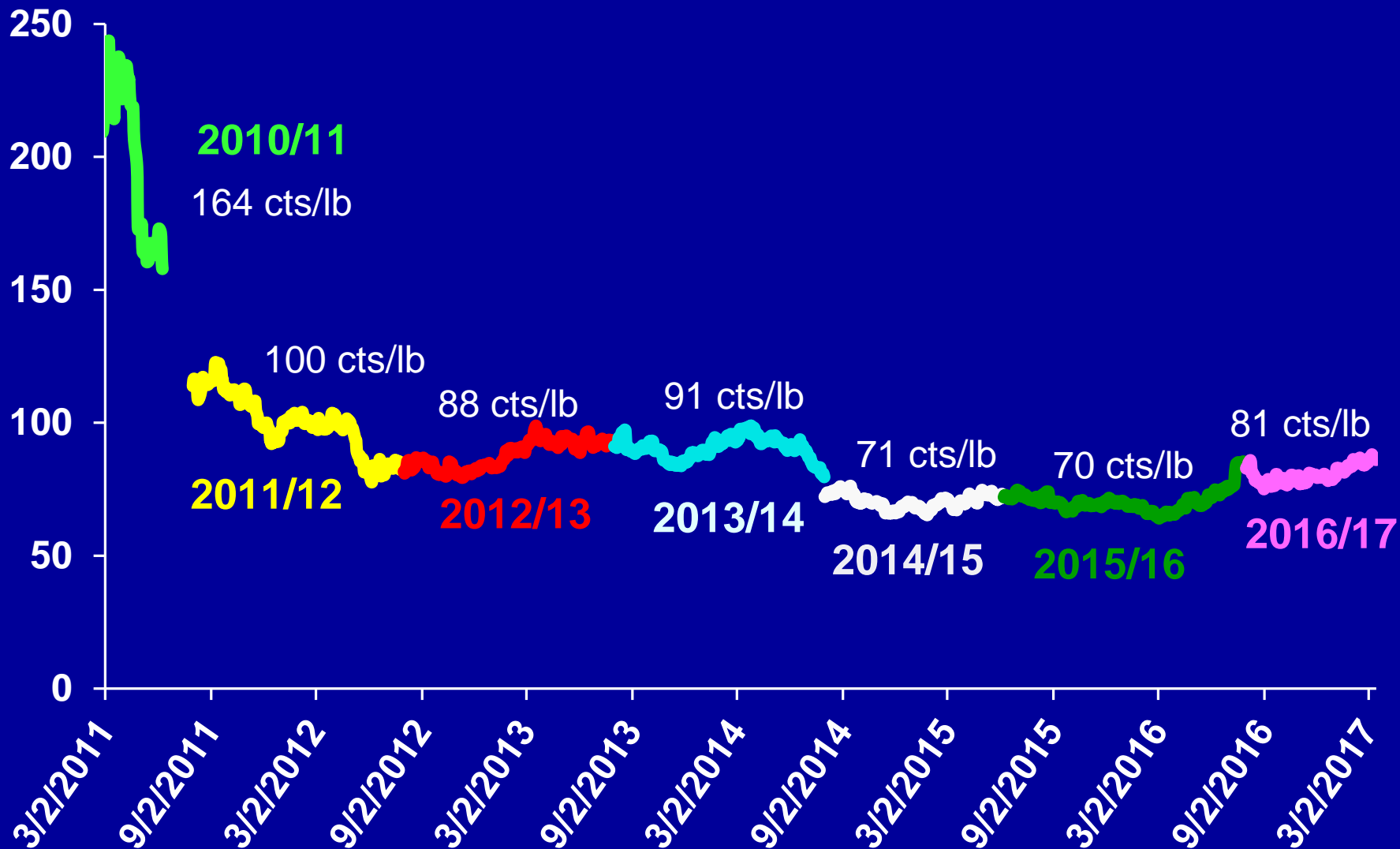
MICROFIBER POLLUTION and the apparel industry



COTTON PRICE

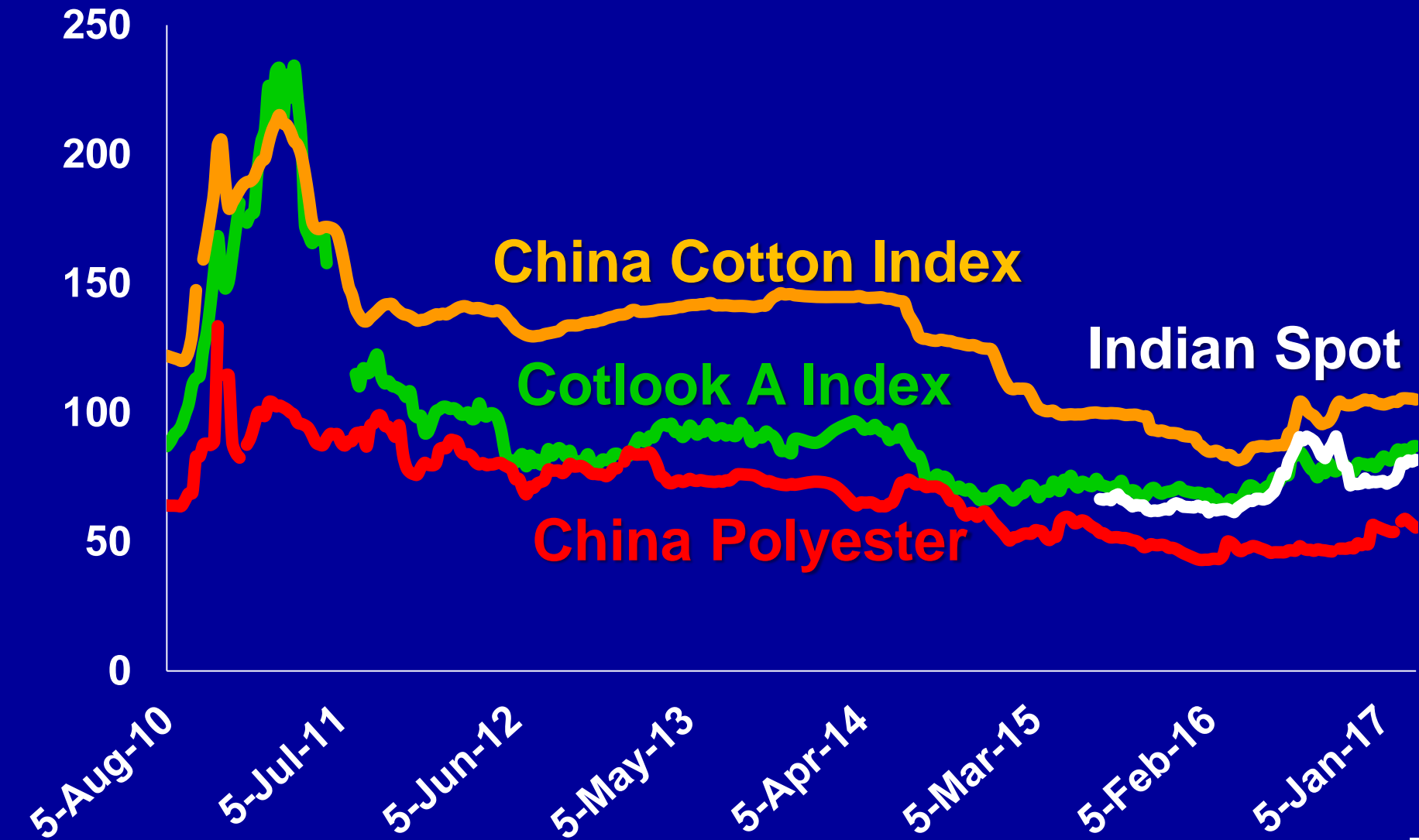
Cotlook A Index

U.S. cents/lb



PRICE COMPARISON

US cents/lb



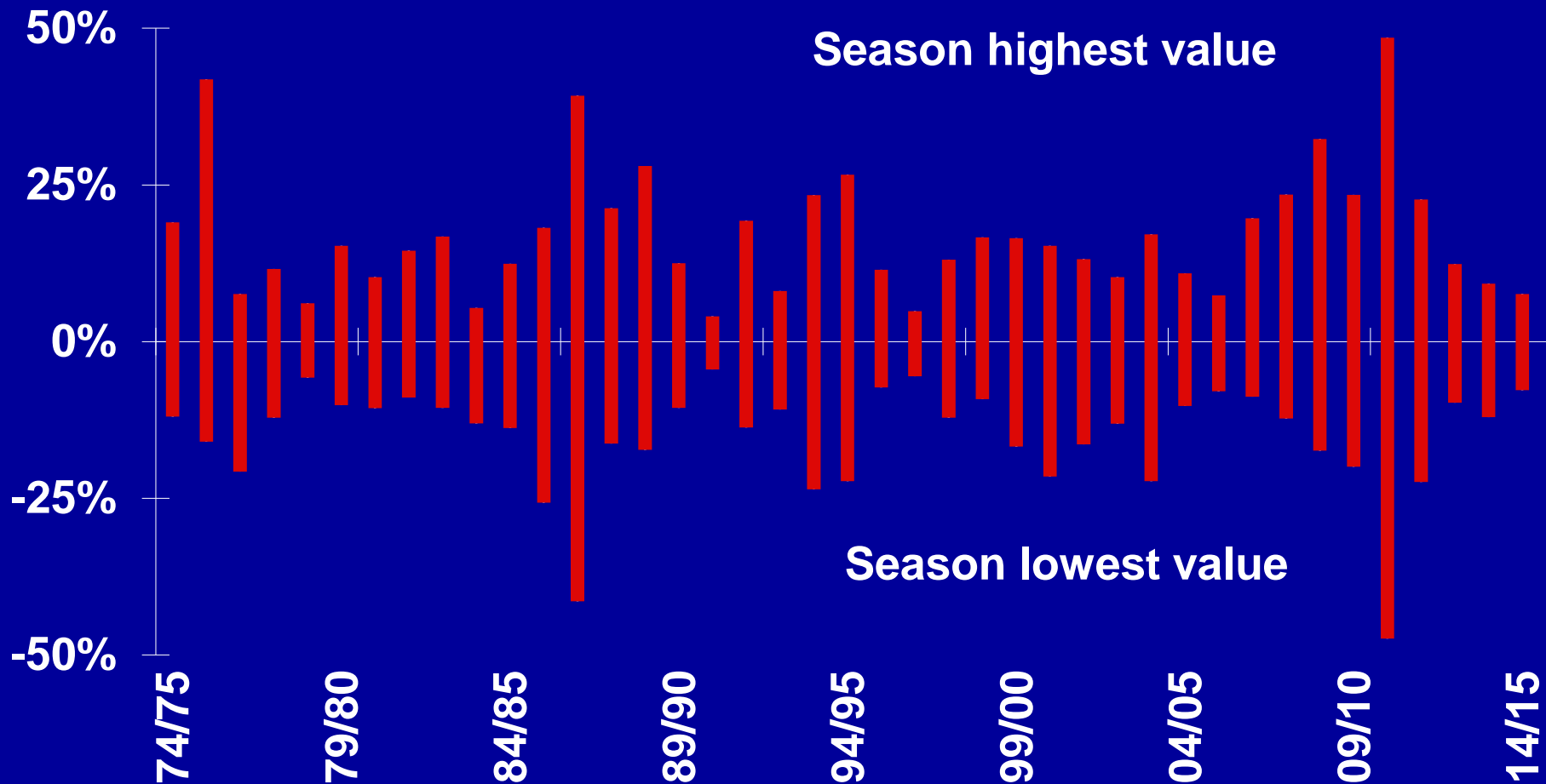
*Weekly quotes



REDUCE PRICE VOLATILITY

Daily Cotlook A Index

Difference with respect to season average



Factors Affecting Cotton Prices in 2010/11

A Index, US cents/lb



ICAC Price Model

- Most important variable:
 - Stocks to mill use ratio in World-less-China
 - SMU World less China **UP**, Price **DOWN**
 - SMU World less China **DOWN**, Price **UP**

The model is used to inform government officials and the private sector as to what fundamental statistics indicate for changes in average cotton price levels in the coming season.

ICAC PRICE MODEL

Does Not Have:

- **Non-Cotton Market Variables**
- **Technical Variables**
- **Not a Monthly or Quarterly Model**

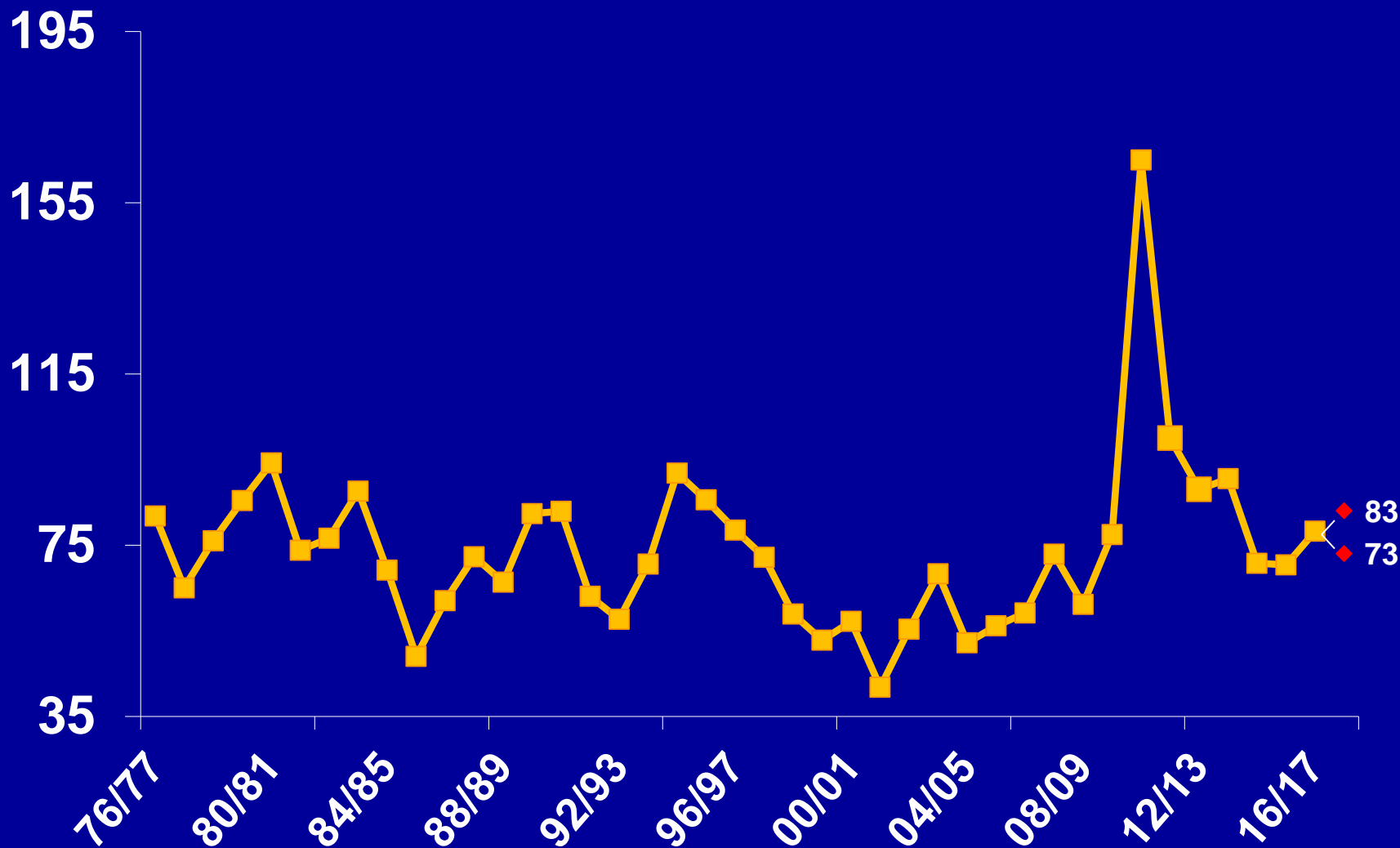
✓ The variability of the forecast from ICAC price model is mainly explained by the variability of its explanatory variables, in particular the projected **changes in stocks and mill use outside China**.

✓ The quality of the price forecast ultimately depends on the Secretariat's forecast of those variables.

Season-Average A Index

(source: Cotlook Ltd.)

US cents / lb



*Thank you for your
attention!*

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www.icac.org