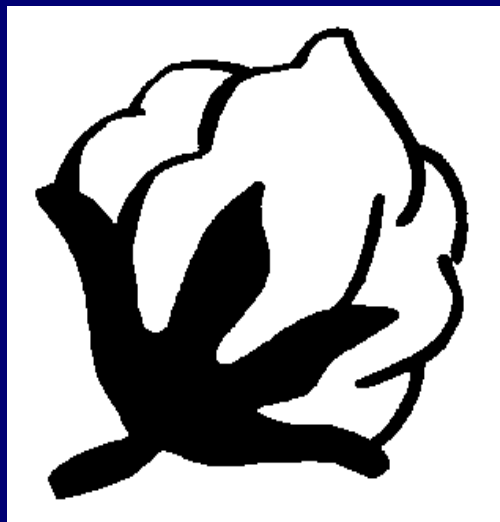


The World Cotton Market: Structure and Outlook



Lorena Ruiz
Economist



International Cotton Advisory Committee

Texas International Cotton School
Lubbock, TX
9 August, 2016

Overview

- **ICAC**
- **Current Market Situation**
 - 2015/16 and Country Market Shares
 - Market Fundamentals
- **Past Trends**
 - Supply & demand
 - Prices
 - Government interventions
- **Outlook**
 - 2016/17



INTERNATIONAL COTTON ADVISORY COMMITTEE

31 Governments

Formed in 1939

\$1.8 million

7 employees, 7 countries

Washington, DC



ICAC MISSION

Assist governments in fostering a healthy world cotton economy, by:

- Providing transparency**
- Clearinghouse for technical information on cotton production**
- Forum for discussion of cotton issues of international significance**



ICAC

FOUR PRIMARY FUNCTIONS

- **Statistics**
- **Technical Information**
- **Forum for Discussion and Cooperation**
- **Liaison with International Community**



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?

- 60 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 |



ICAC SOURCES

- **Coordinating Agencies**
- **National Organizations**
- **World Bank, FAO, UN**
- **Trade Publications**
- **Government Reports**
- **Business Contacts**
- **Researchers**





75th PLENARY MEETING October 30 - November 4, 2016 Islamabad (Pakistan)

'Emerging Dynamics in Cotton: Enhancing Sustainability in Cotton Value Chain'

REGISTRATION NOW OPEN

**Statement of the 74th
Plenary Meeting
Mumbai, India
06-11 December, 2015**



Measuring Sustainability
in Cotton Farming
Systems

[Access the full
report here](#)

Upcoming Events

World Cotton Research Conference - 7
31 May, 2020 Izmir, Turkey

75th Plenary Meeting of the ICAC
30 Oct, 2016 Islamabad, Pakistan

542nd Standing Committee Meeting
02 Jun, 2016 Washington DC,

World Cotton Research Conference — 6



Bookstore



Standing
Committee



ICAC World
Cotton Database



World Cotton
Calendar



CSITC Round
Trials



Surveys

Press Releases

Staff Vacancy Notice: Head of the
Technical Information Section
08 Jul, 2016


Better Yields to Boost Cotton Production
in 2016/17
01 Jul, 2016

Emerging Dynamics in Cotton:
Enhancing Sustainability in the Cotton

COTTON STATISTICS



ICAC Publications












International Cotton Advisory Committee

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Name	Type	Language	Price	
2014 ICAC Publications Catalog			0	
 Actas	Download	Spanish	35	Add to Cart
 Agrochemicals Used on Cotton (oct 1995)	Mail	English	35	Add to Cart
 Algodón este mes	Email	Spanish	300	Add to Cart
 Algodón: revista de la situación mundial	Mail	Spanish	230	Add to Cart
 Algodón: revista de la situación mundial	Email	Spanish	190	Add to Cart
 Bale Survey (Nov. 2008)	Download	English	50	Add to Cart
 Bale Survey (Nov. 2008)	Mail	English	55	Add to Cart
 Bale Survey (Oct 1995)	Mail	English	32	Add to Cart
 Bale Survey (Oct 1995)	Download	English	0	
 CD-ROM	Mail	English	420	Add to Cart



ICAC Online Database

<https://icac.generation10.net/>



ICAC World Cotton Database

Log in

Email:

Password:

Log in

[Forgot my password](#) [Register here](#)

ICAC - International Cotton Advisory Committee

in association with

Charts Data

Country & Region Analysis

Consumption / 1000 MT

Parameter / Season

Map Analysis

Consumption Map

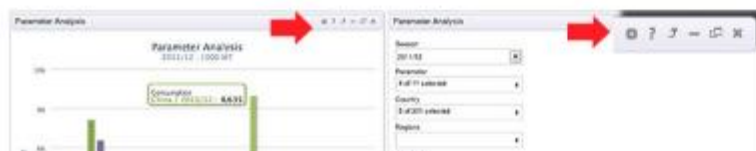
We are proud to present the ICAC World Cotton Database brought to you by the ICAC Secretariat in association with Generation 10. This interactive database provides complete access to statistics on seasonal cotton supply and use for each country and each region in the world, from 1920/21 to date. This project is part of ICAC's efforts to improve the transparency of world cotton statistics.

Please note that the accuracy and precision of statistics vary depending on the country and season. Details of the main sources of statistics can be found in the *May/June 2011 issue of COTTON: Review of the World Situation*.

Your feedback is important to help us improve this database:

For more information or help please contact us at statistician@icac.org.

For more information on G10 and their products, please visit their website at www.generation10.net



Working with charts

- Build your chart - Choose from configurations options then hit "Save" button to display your chart.



ICAC Publications

- **Weekly:**
 - Cotton this week: Current Estimates of World Cotton Supply and Use (updated every Tuesday)
- **Monthly:**
 - Cotton this month: the report provides information on the latest events affecting the world cotton market and presents an up-to-date supply, demand and price projections
- **Bi-monthly:**
 - Cotton: Review of the World Situation: Includes articles on different producing and consuming countries and topics related to the world cotton industry.
 - Extra-Fine Cotton Update



- **Quarterly:**
 - The Recorder: provides information on the latest scientific and technological developments in cotton production research.
- **Annually:**
 - Cotton: World Statistics
 - The Outlook for Cotton Supply
 - World Cotton Trade
 - World Textile Demand
 - Production and Trade Policies Affecting the Cotton Industry
 - Structure of World Cotton Trade

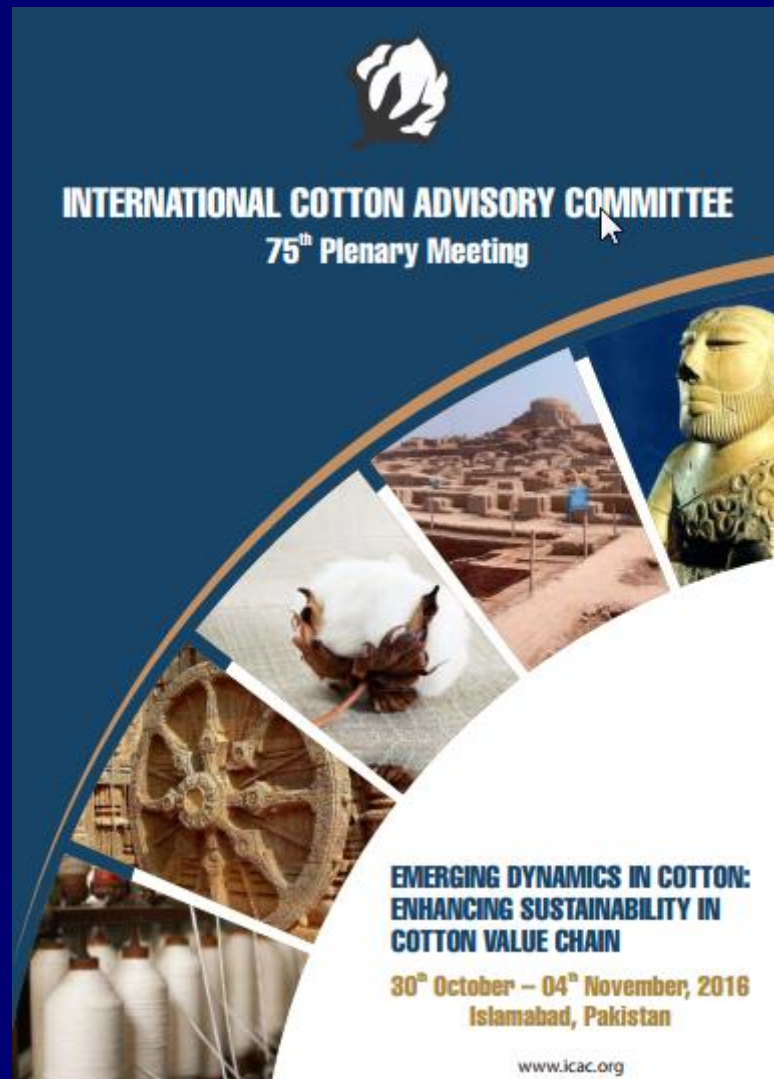


- Every 3 years:
 - Cost of Production of Raw Cotton (2016)
 - Cotton Production Practices (2014)
 - Current Research Projects in Cotton (2015)



75th Plenary Meeting

30 Oct, 2016 Islamabad, Pakistan



<https://www.icac.org/mtgs/Plenary/75th-Plenary>

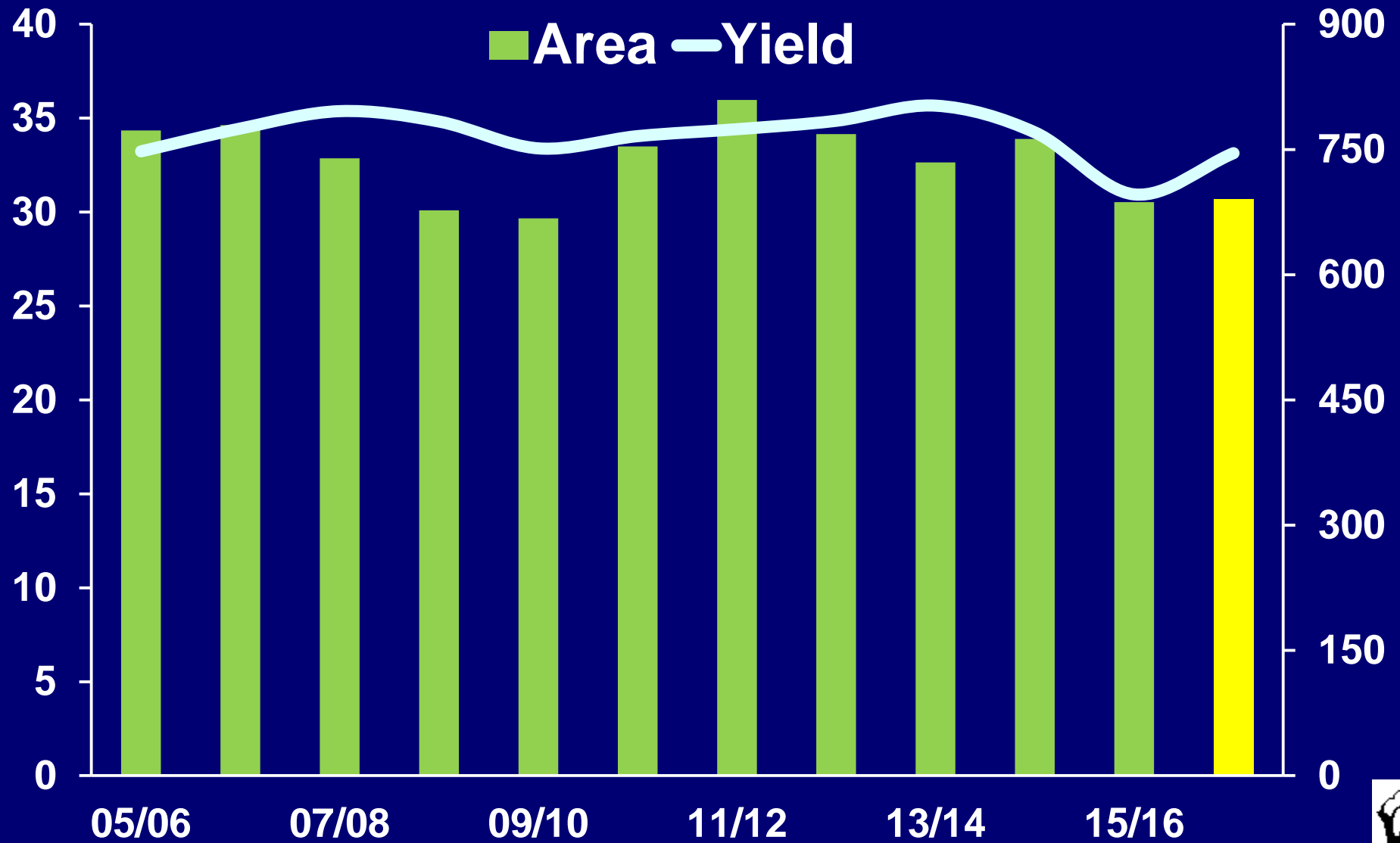
The World Cotton Market



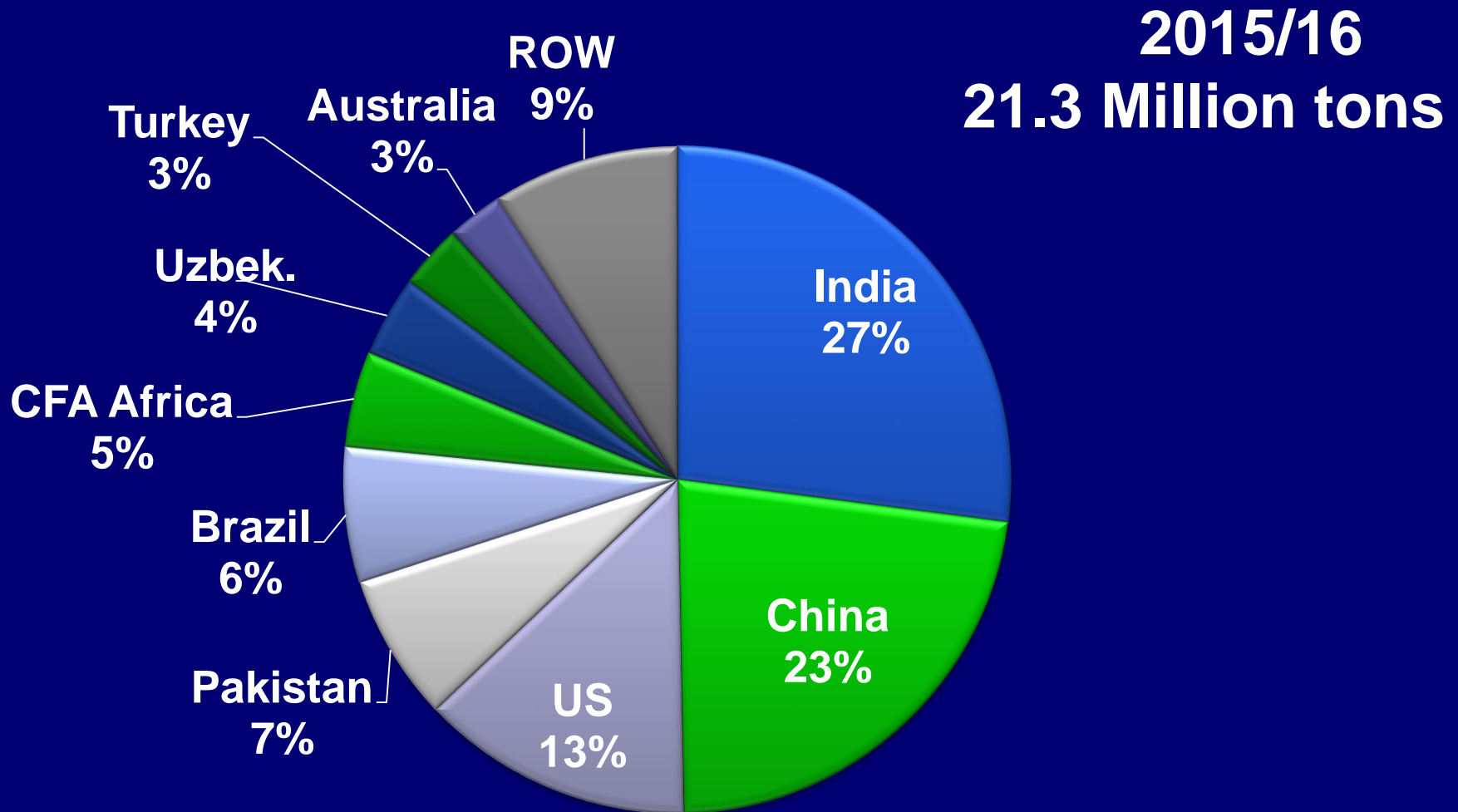
World Cotton Area and Yield

million hectares

kg/ha

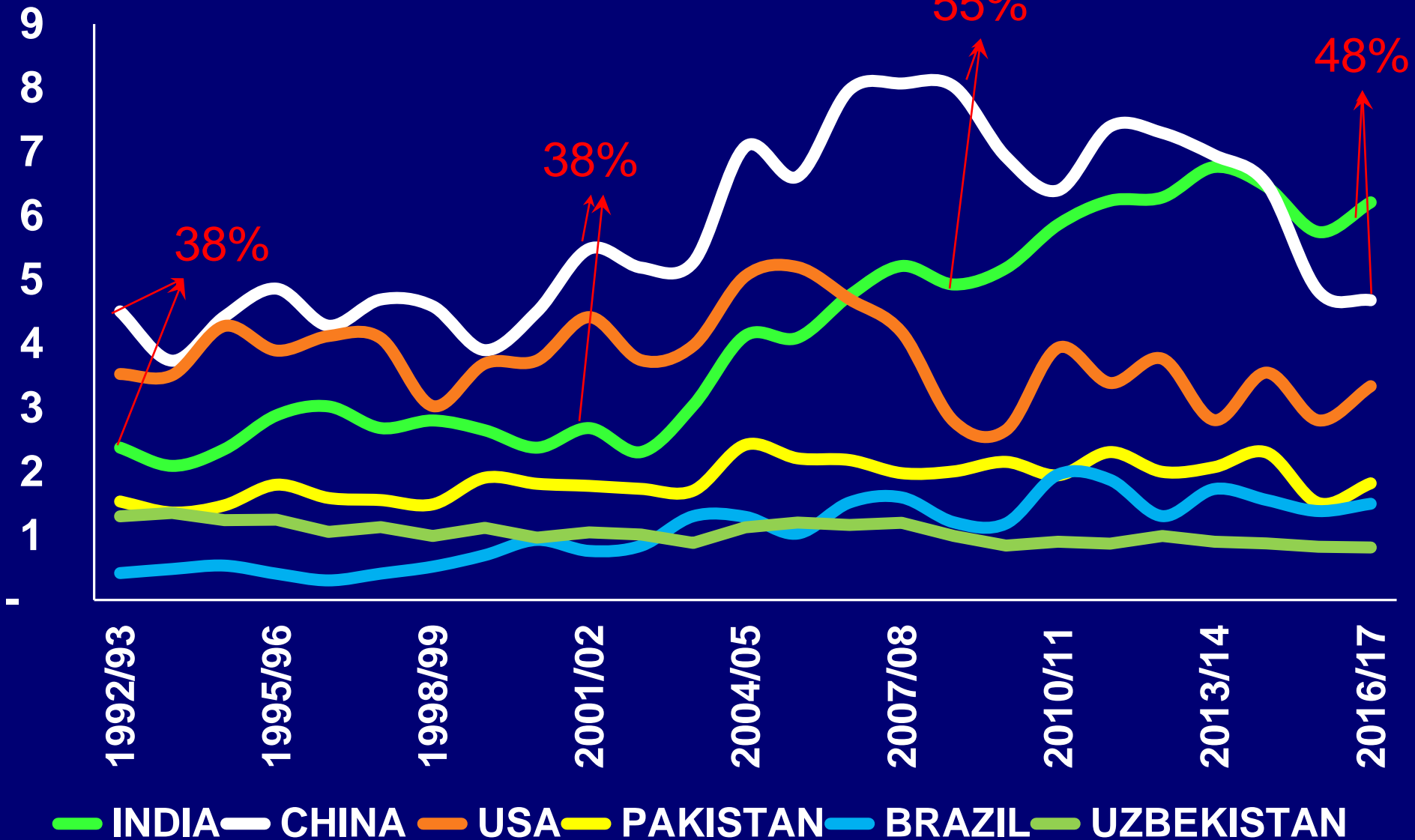


Cotton Production by Country

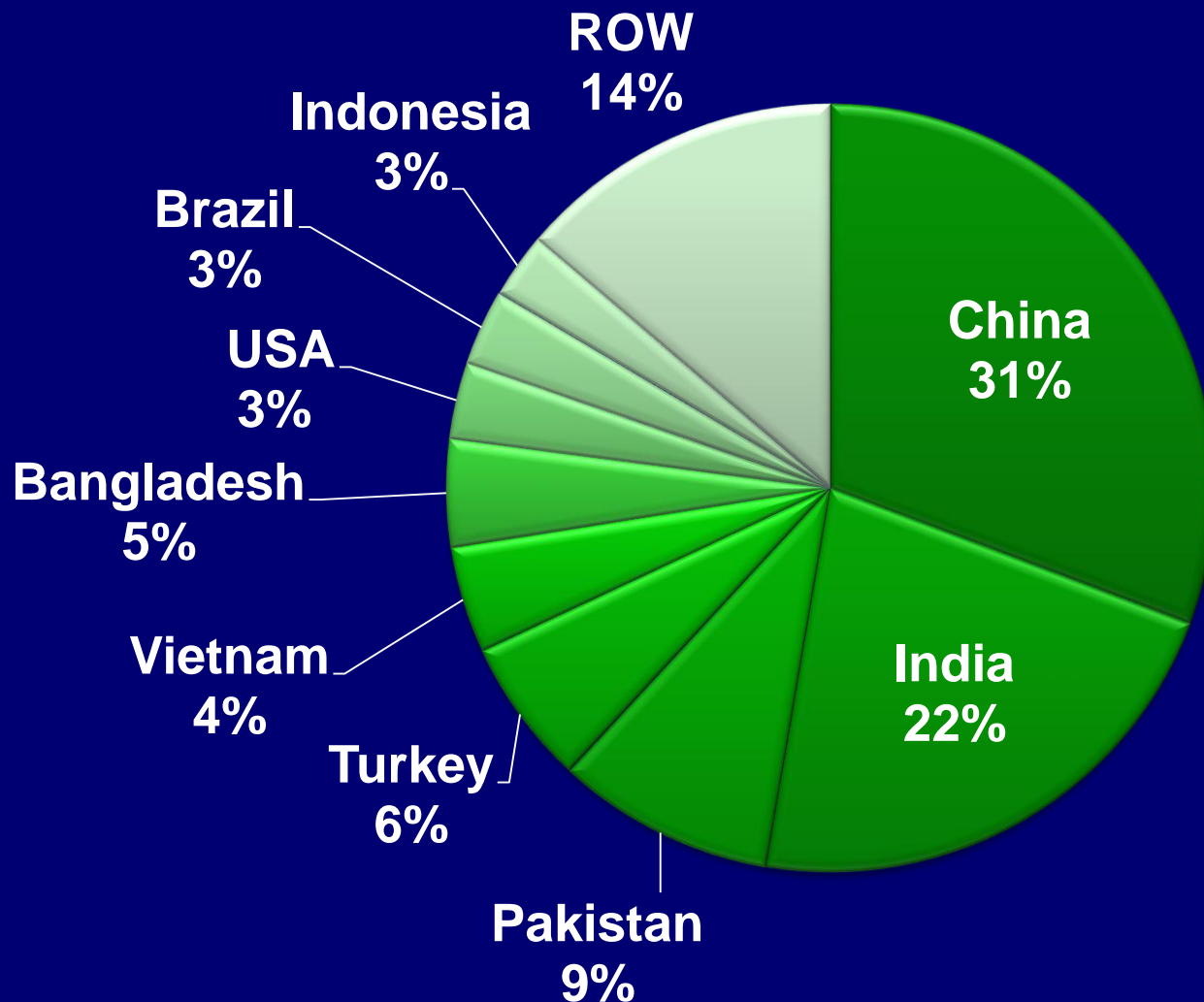


Cotton Production: top 6

million tons



Cotton Mill Use by Country

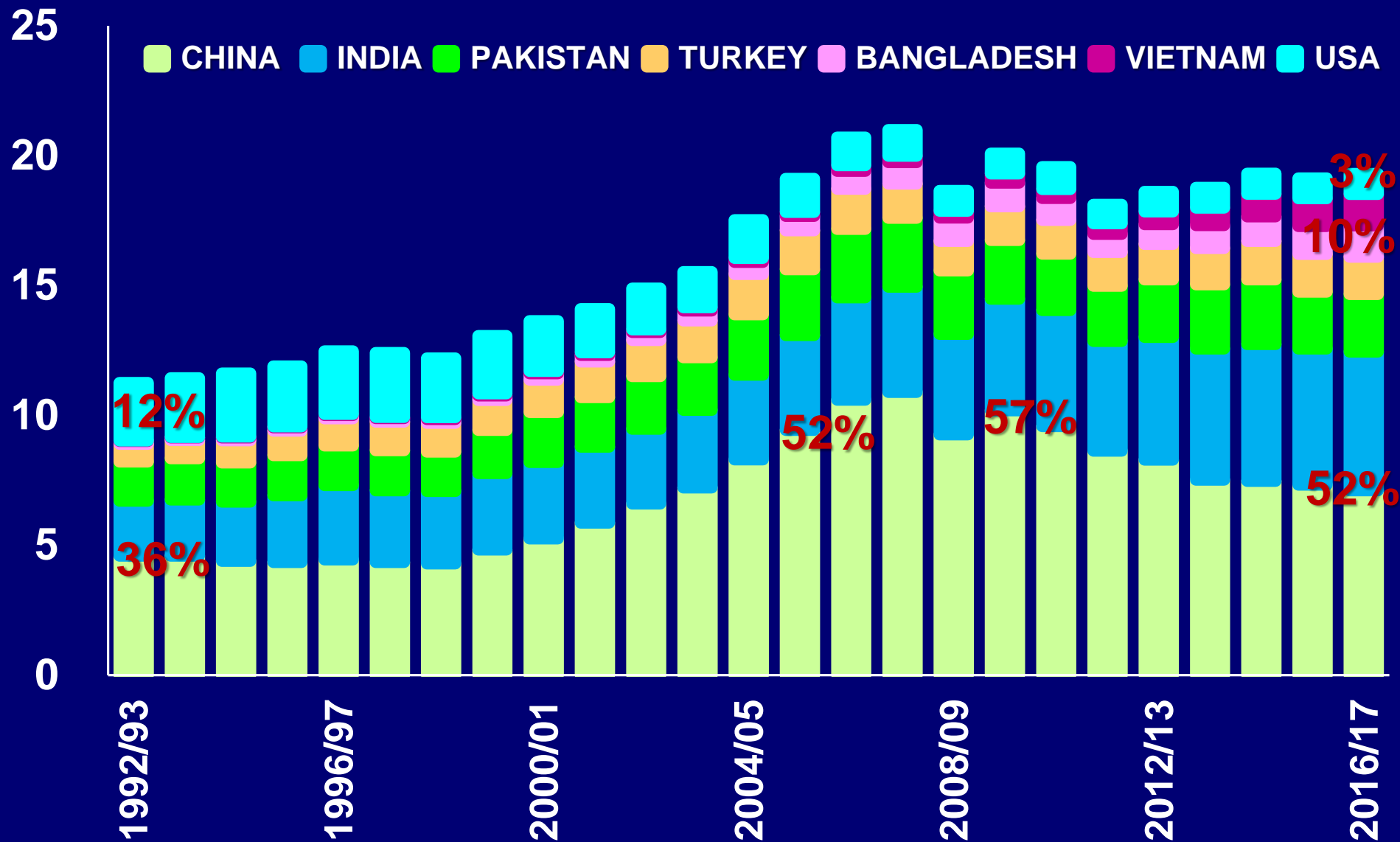


2015/16
23.9 Million tons



Cotton Consumption: top 7

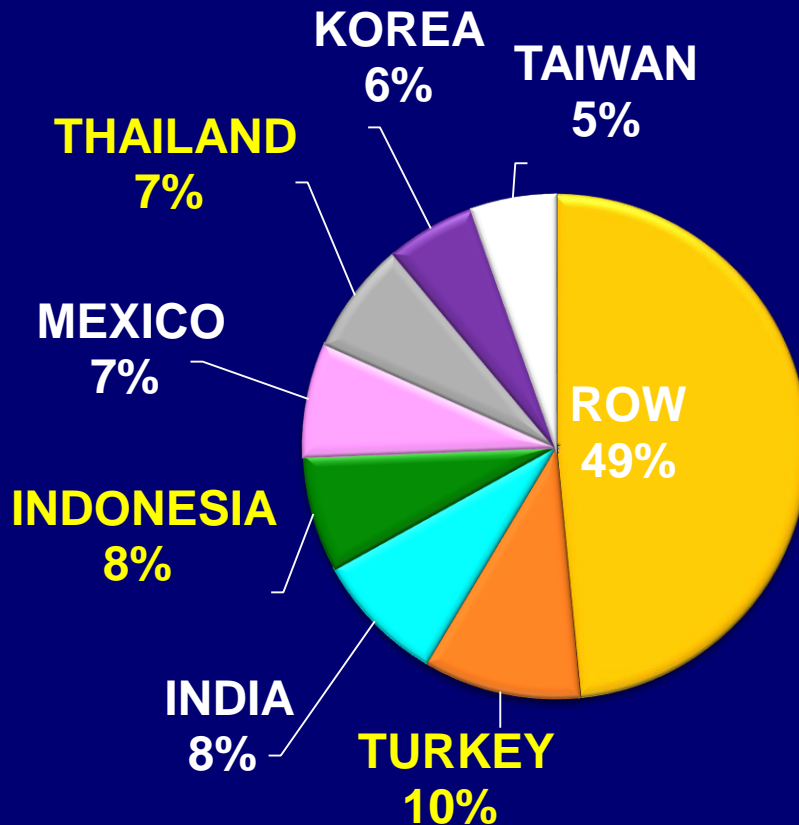
million tons



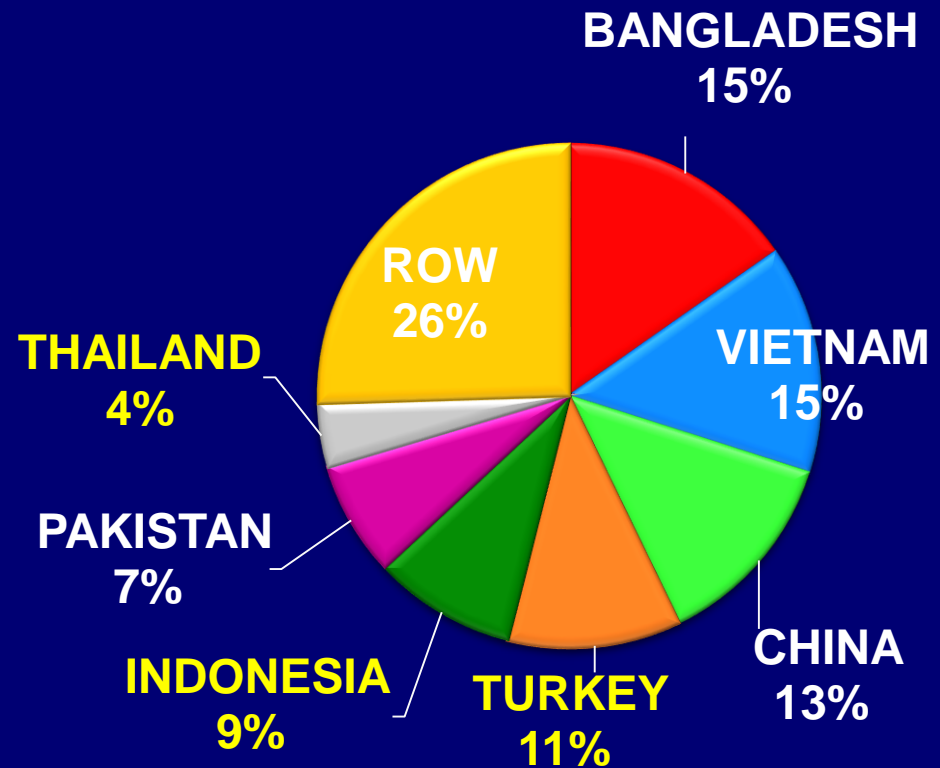
Cotton Imports by Country

2001/02: 6.2 Mill tons

2015/16: 7.3 Mill tons



7 countries: 51%



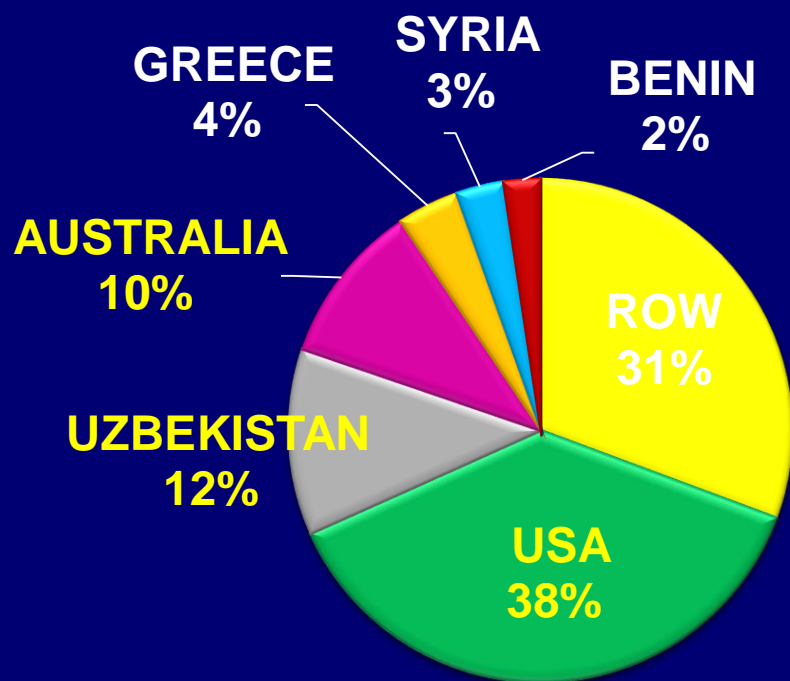
7 countries: 74%



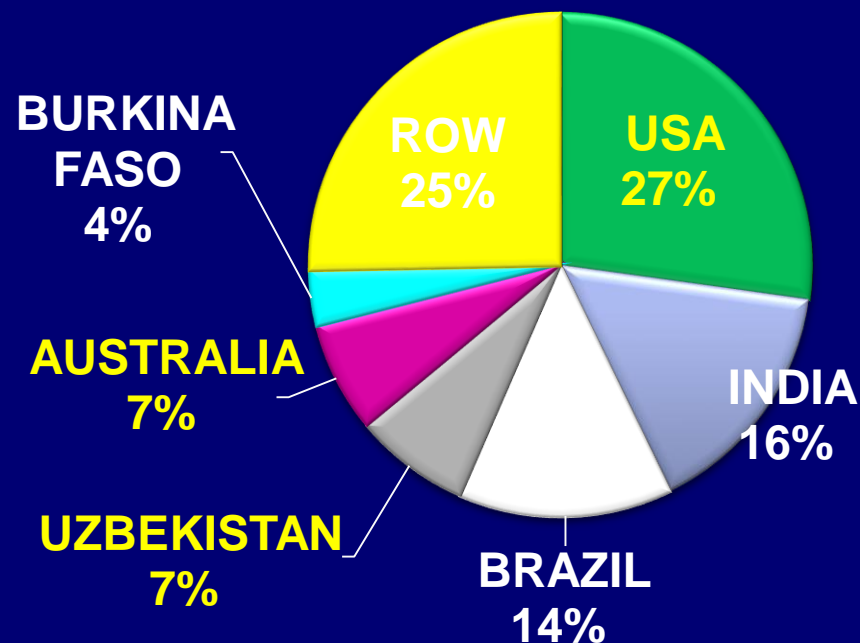
Cotton Exports by Country

2001/2: 6.4 Mill tons

2015/16: 7.3 Mill tons



6 countries: 69%



6 countries: 75%



Current Market Situation

Market Fundamentals

World Statistics and Price Forecasting

- ICAC
- Cotton Outlook Ltd.
- United Nation's Food and Agriculture Organization (FAO)/ Organization of Economic and Cooperative Development (OECD)
- U.S. Department of Agriculture (USDA)
- Food and Agricultural Policy Research Institute - FAPRI



World Supply =
Beginning Stocks + Production

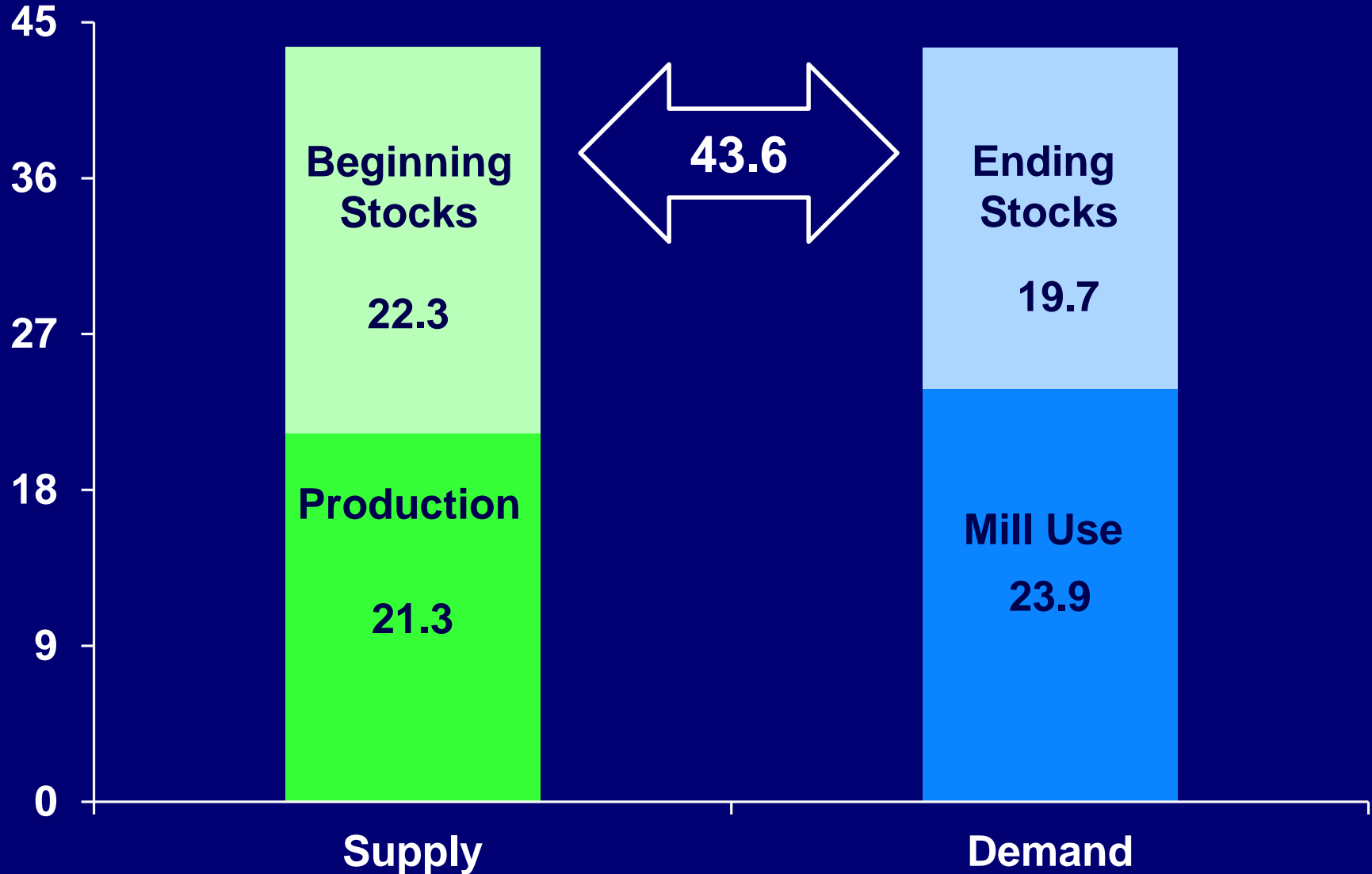
World Demand =
Mill Use + Ending Stocks

World Supply = World Demand



World Cotton Fundamentals 2015/16

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

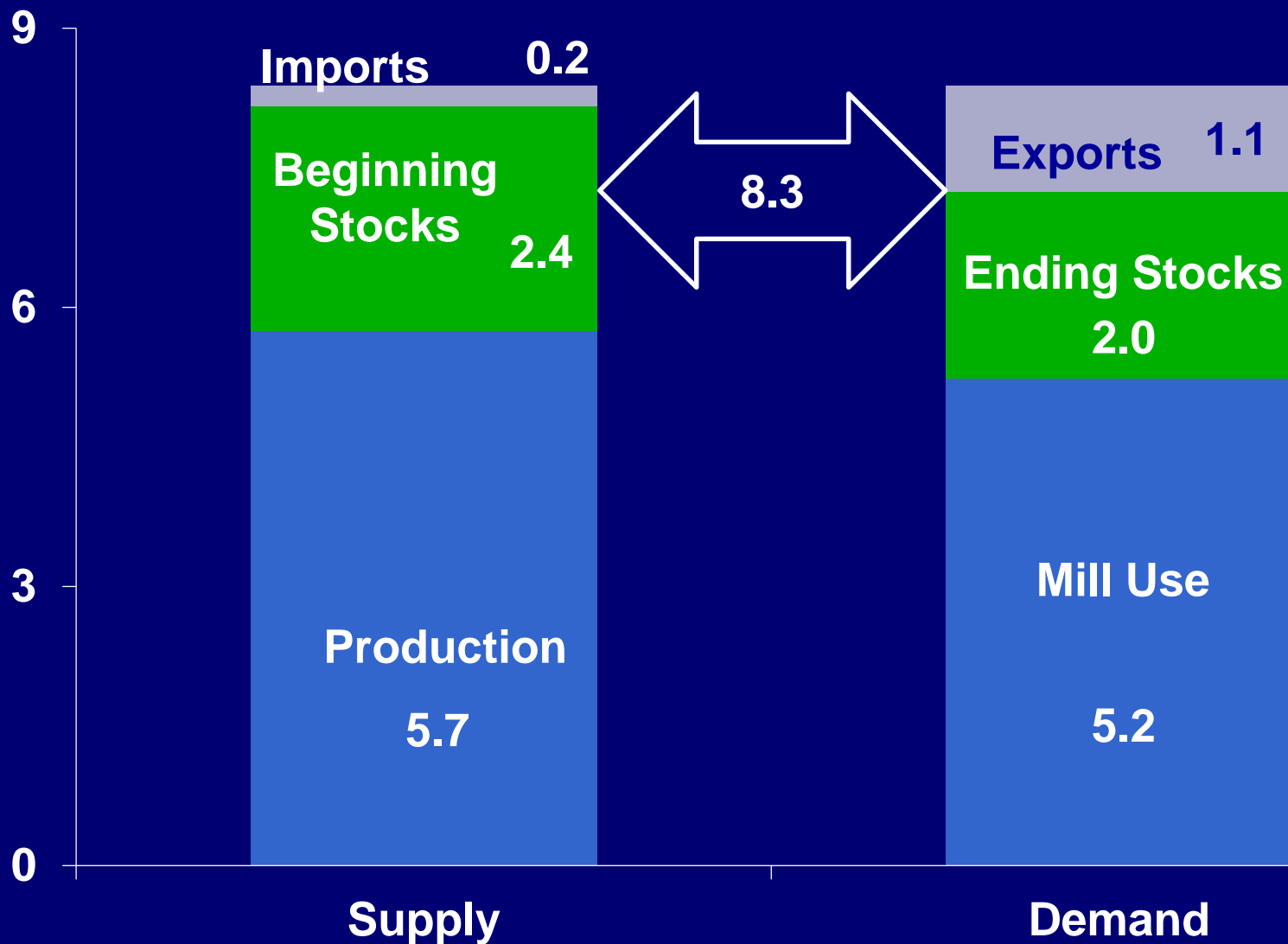
Country Supply = Country Demand



Cotton Fundamentals 2015/16

India

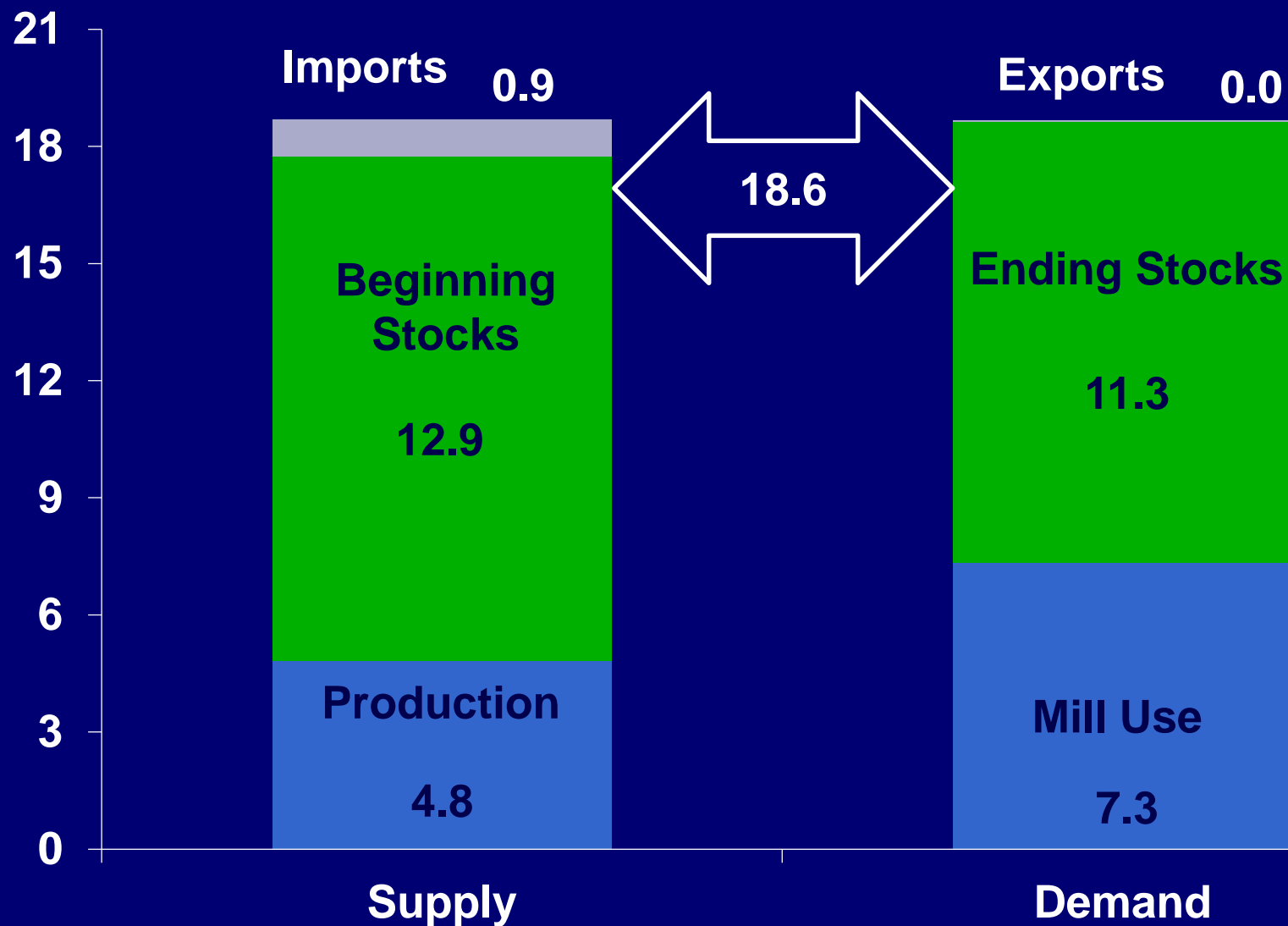
million tons



Cotton Fundamentals 2015/16

China

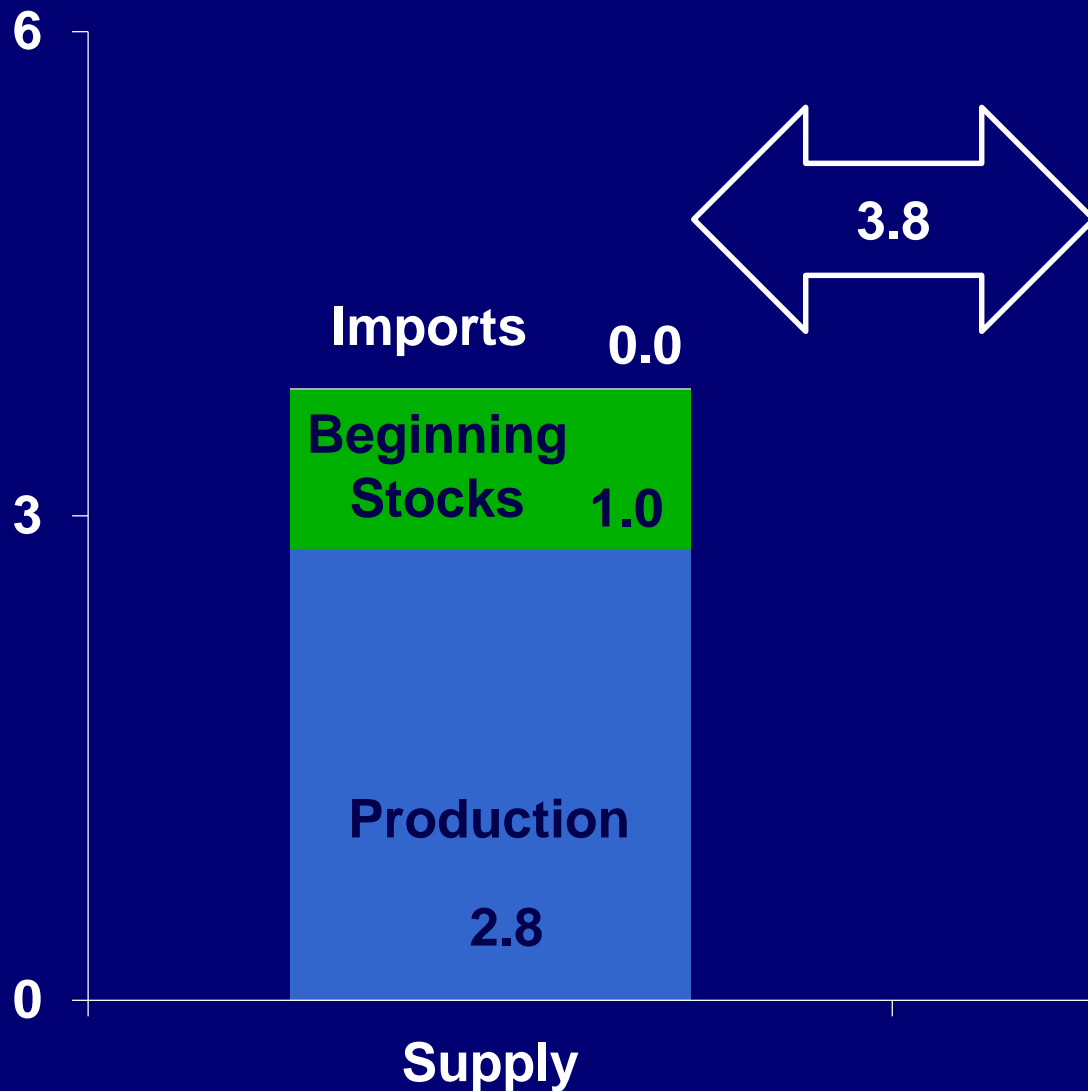
million tons



Cotton Fundamentals 2015/16

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 2015/16 = 19.7

World Mill Use 2015/16 = 23.9

World Stocks to Use Ratio 2015/16 = 19.7 / 23.9
= 0.83



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)

INDIA:

Ending Stocks 2015/16 = 2

- Stocks to Mill Use Ratio 2015/16 = $2 / 5.2 = 0.38$
- Stocks to Use Ratio 2015/16 = $2 / (5.2 + 1.1) = 0.32$



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 2015/16 = 11.3

- Stocks to Mill Use Ratio 2015/16 = $11.3 / 7.3 = 1.54$
- Stocks to Use Ratio 2015/16 = $11.3 / (7.3 + 0) = 1.54$



Drivers of Cotton Consumption:

✓ Cotton prices vs. other fibers

✓ Population

↑ population, ↑ cotton consumption

✓ Income per capita

↑ income, cotton consumption per capita ↑↓



Cotton Consumption

Low income countries:

 income,  market share of cotton

High income countries:

 income, market share of cotton stable at around 40%

Outlook:

 cotton consumption
 market share of cotton

Want to win a book?

Calculate the following projected variables for 2016/17 season:

1. World supply
2. Chinese share in world cotton imports
3. Ending stocks for China (assume Chinese exports=0)
4. The combined share of Bangladesh, Indonesia, and Vietnam in world imports
5. World stocks-to-use ratio
6. Pakistan stocks-to-mill use ratio



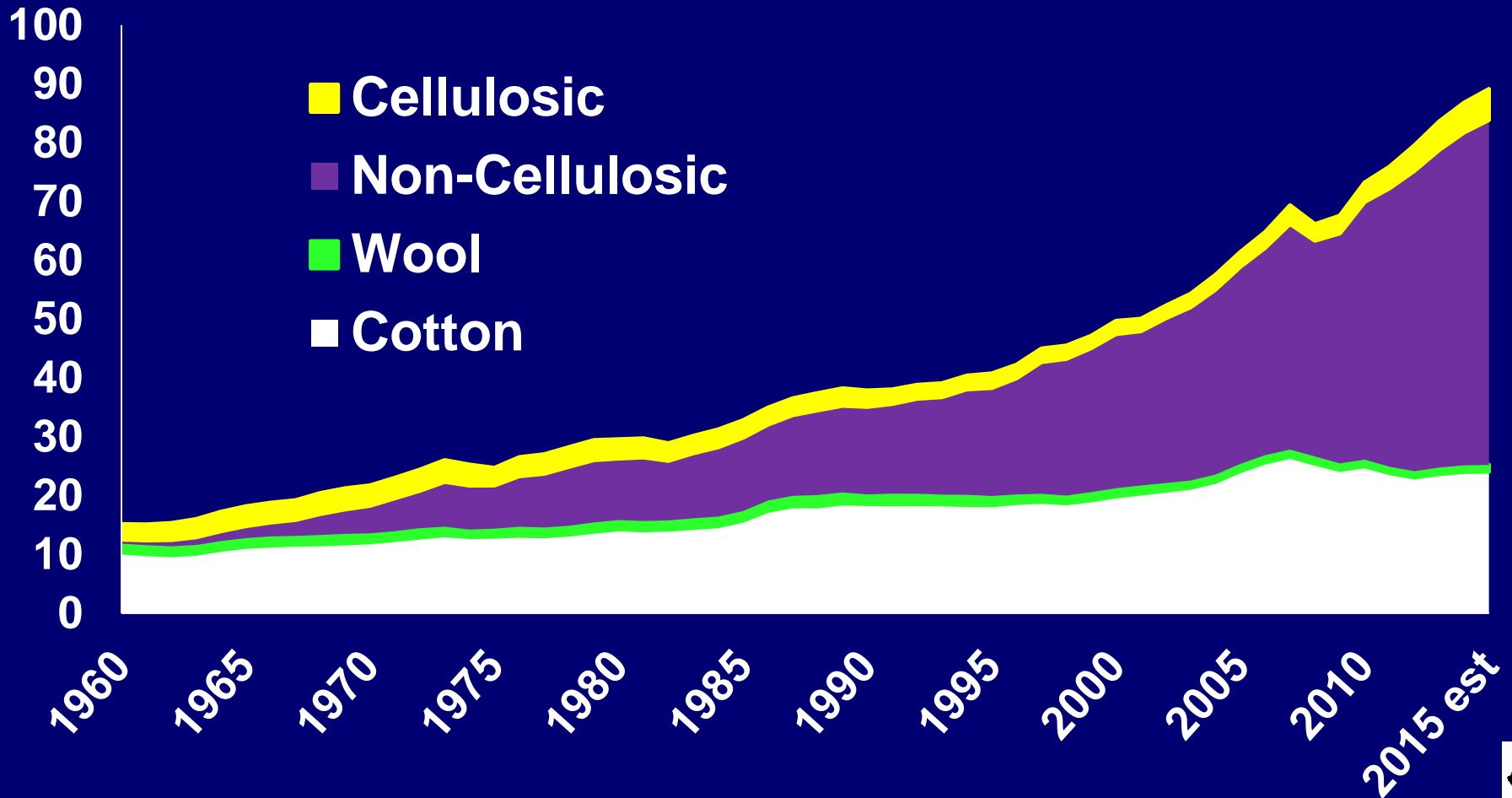
What if...?

- Major exporter bans exports?
- Polyester prices go down to 30 cts/lb?
- World economic growth further slows down?
- Complete cotton production failure in India?

WORLD TEXTILE DEMAND

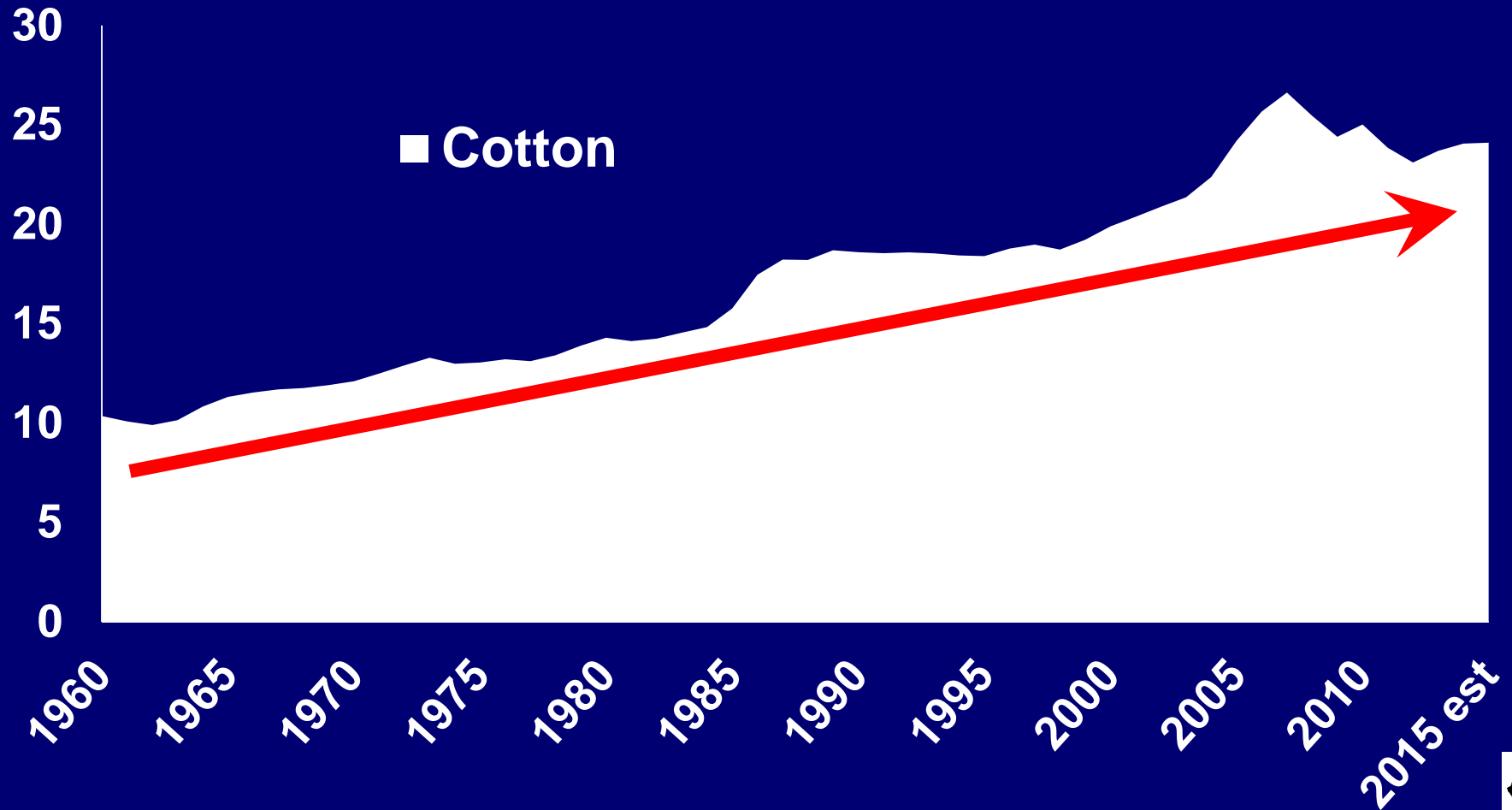
World Consumption of Textile Fibers

Million Tons



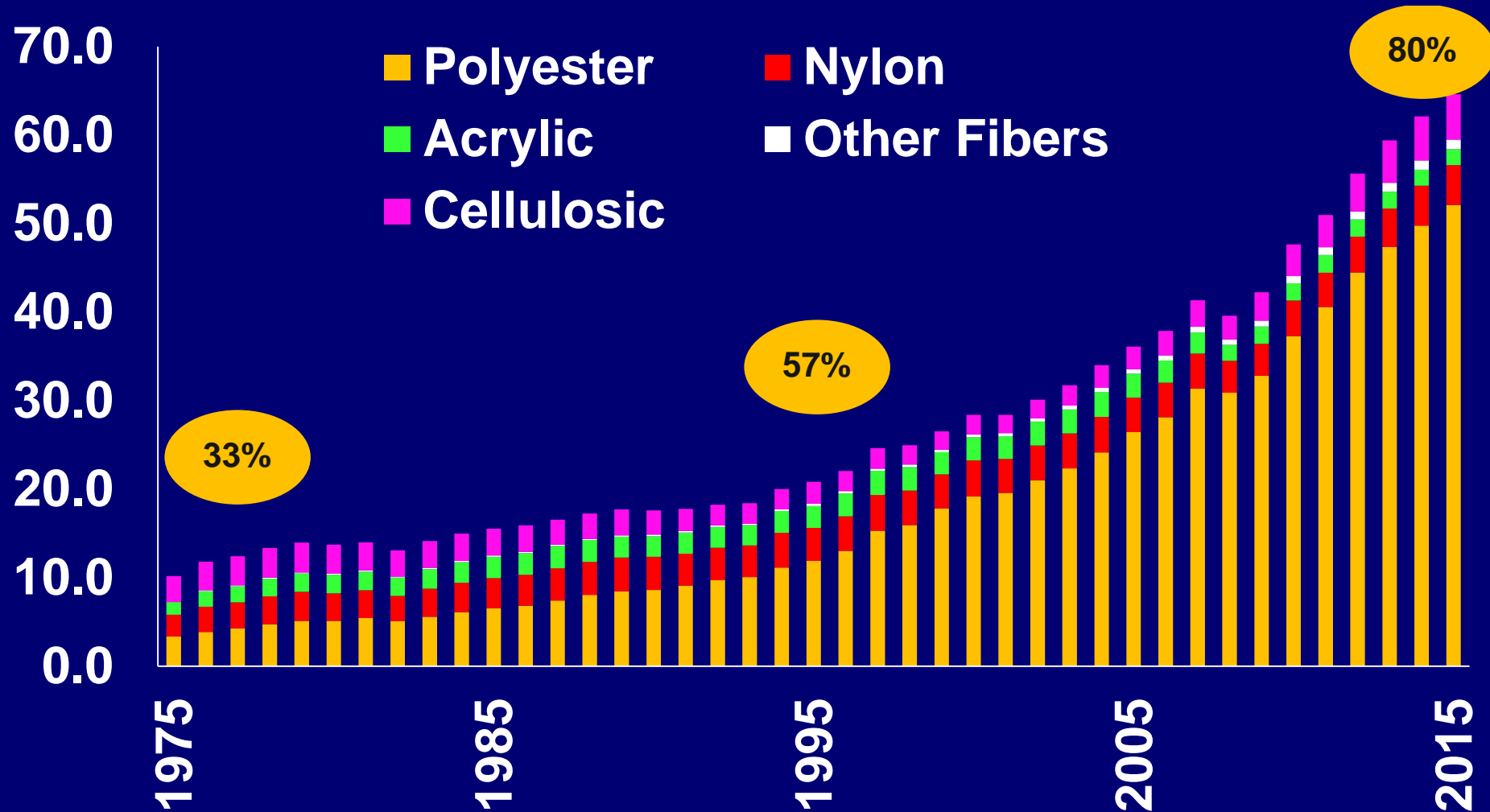
World Cotton Consumption

Million Tons

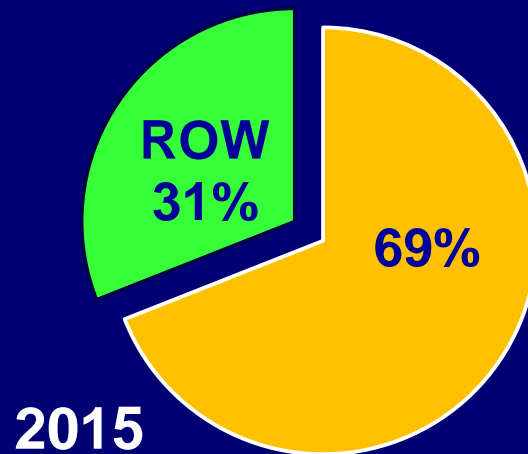
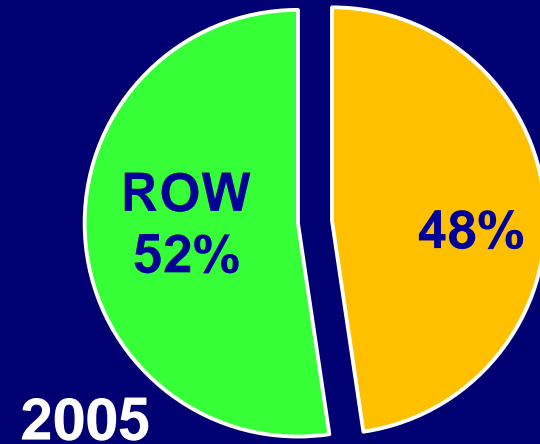
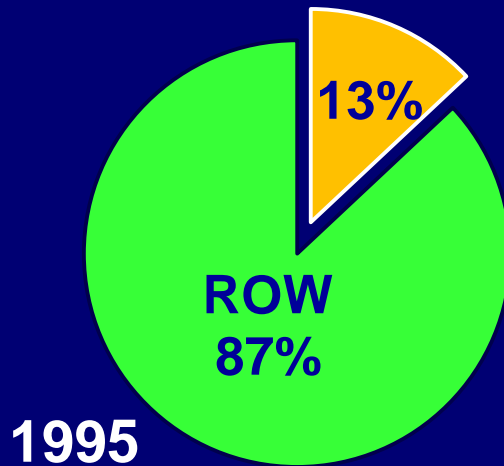


Chemical Yarn Production by Fiber Type

Million tons

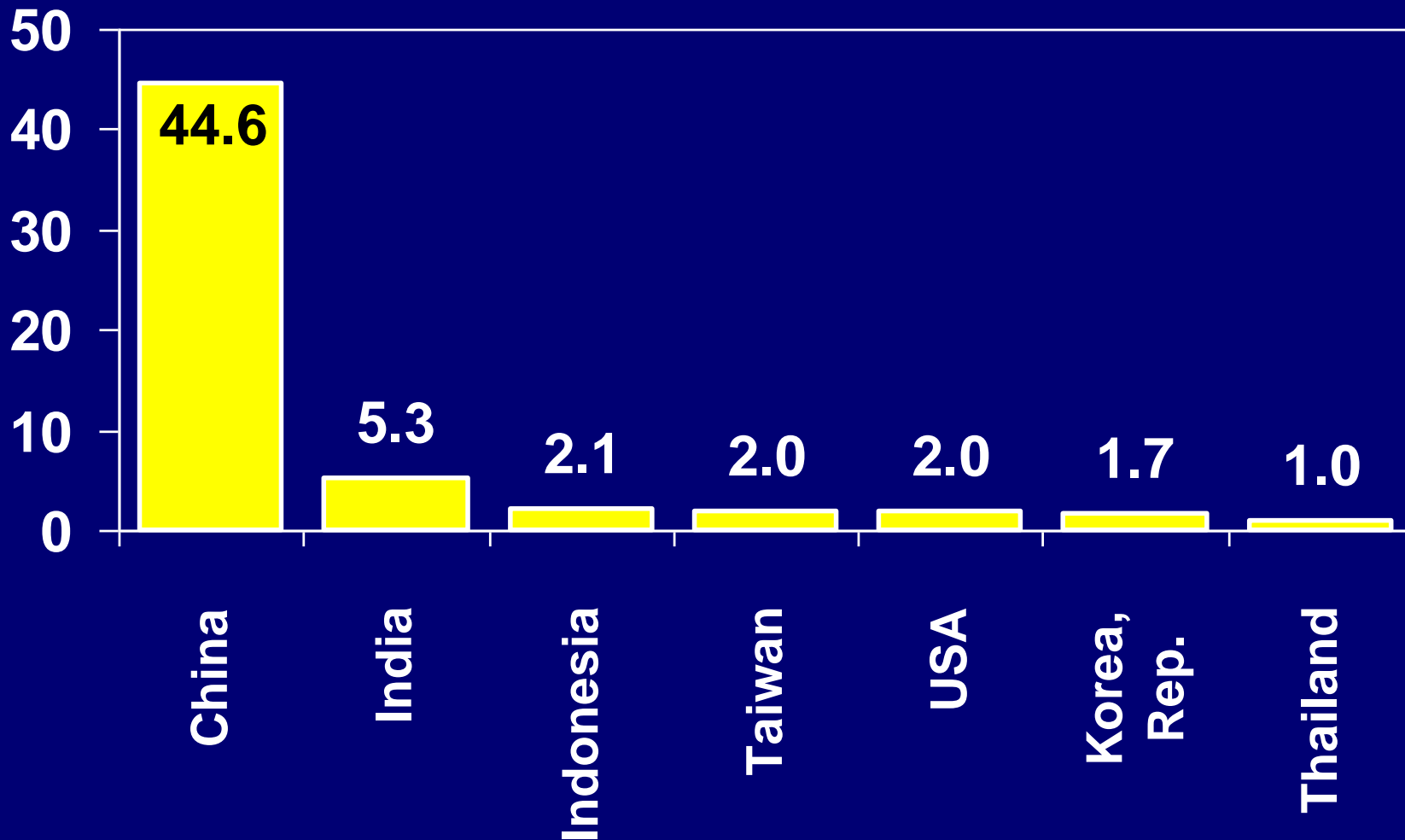


CHINA'S SHARE OF GLOBAL CHEMICAL FIBER YARN PRODUCTION



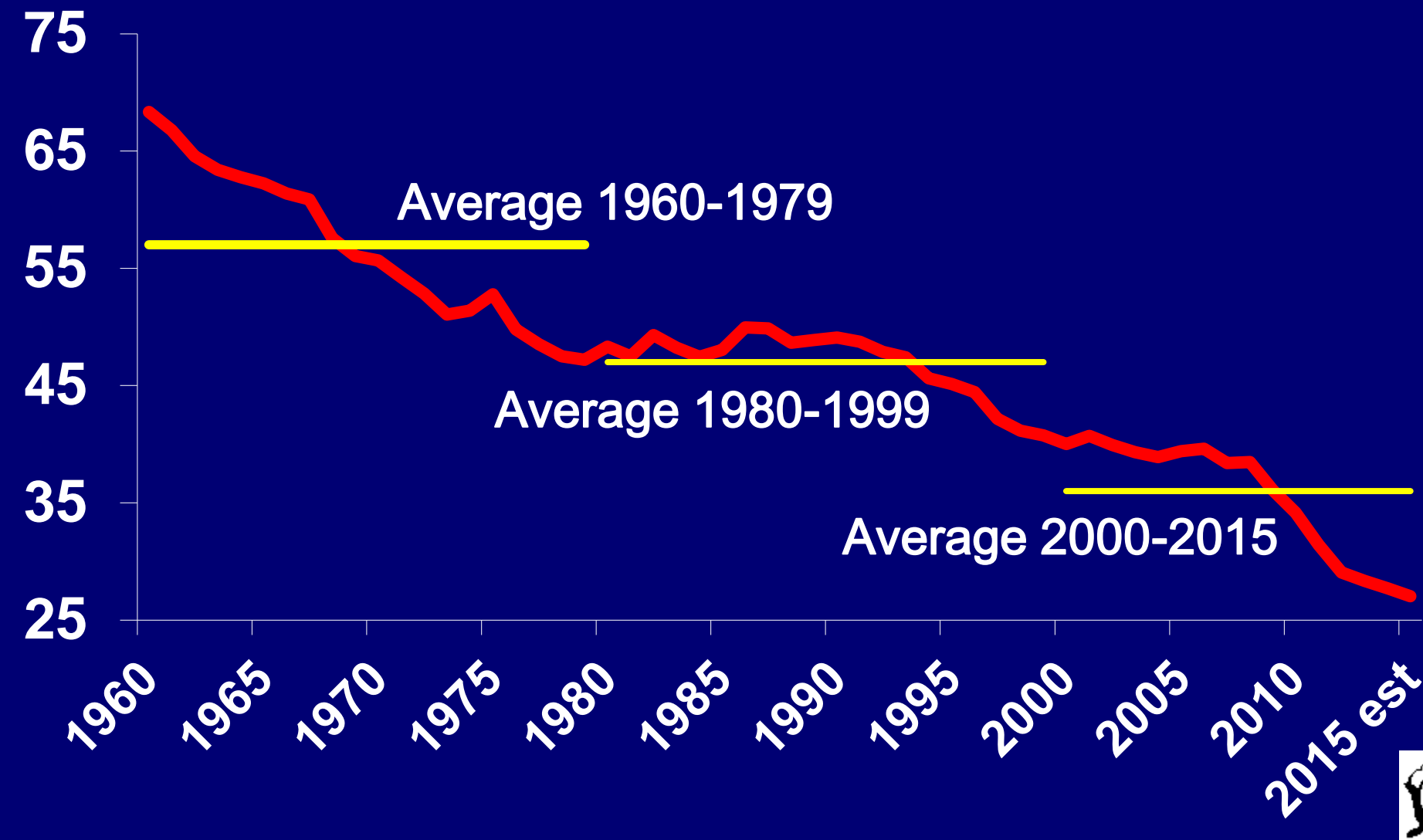
CHEMICAL FIBER YARN LEADING PRODUCERS IN 2015

million tons

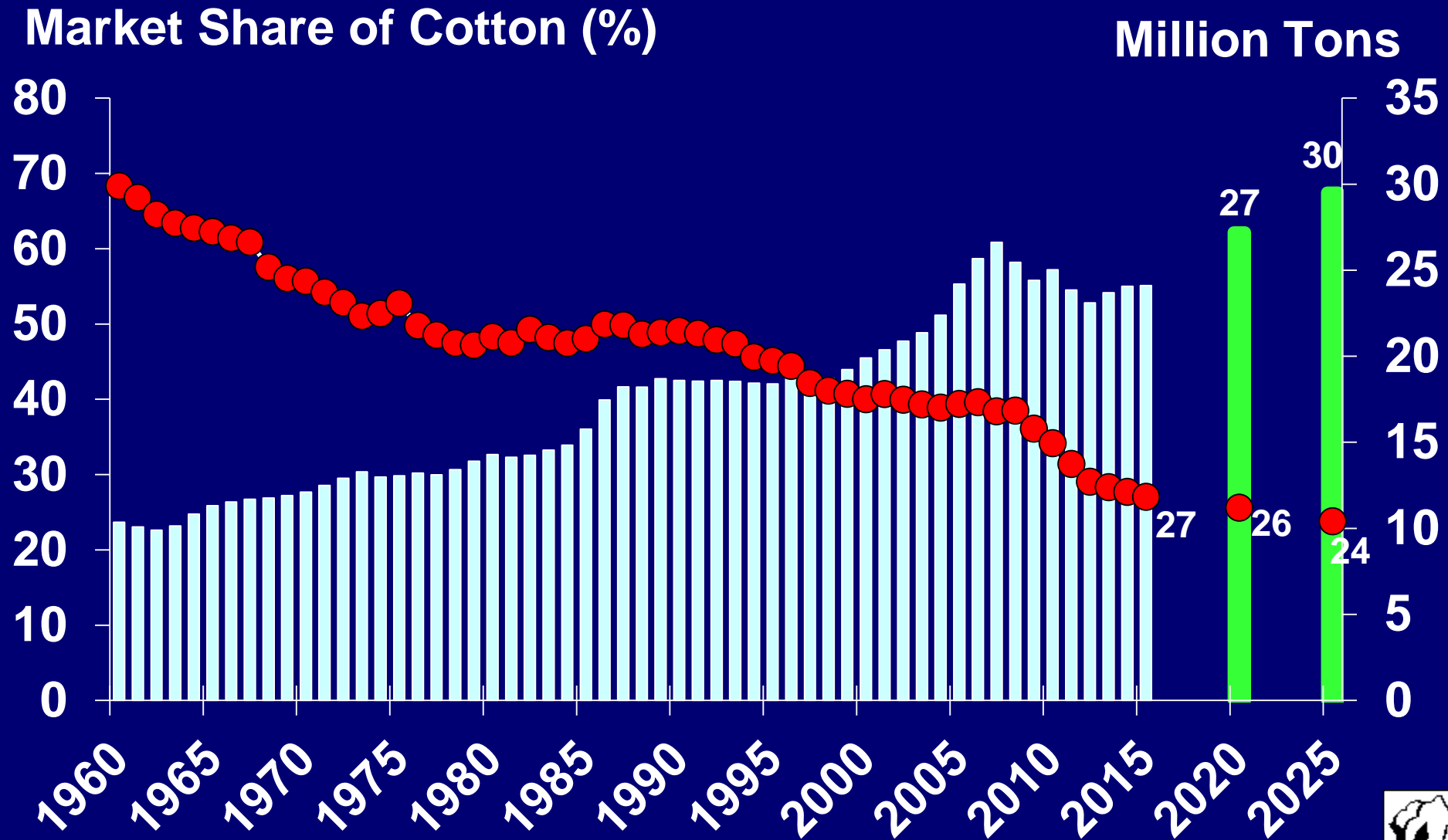


Market Share of Cotton in World Textile Fibers Consumption

Percentage

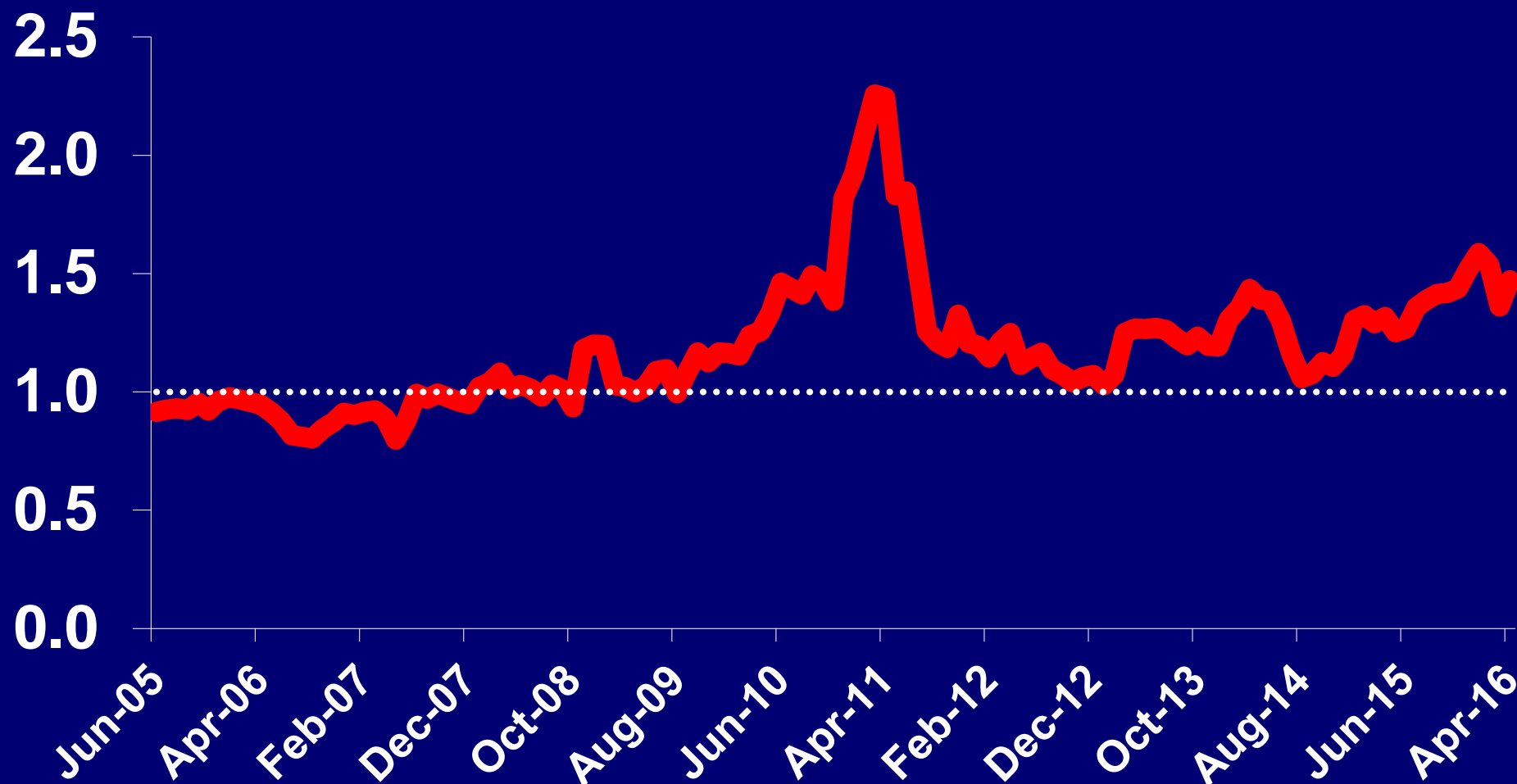


WORLD COTTON CONSUMPTION AND MARKET SHARE OF COTTON



Relative Price of Cotton to Chinese Polyester (Monthly)

Ratio

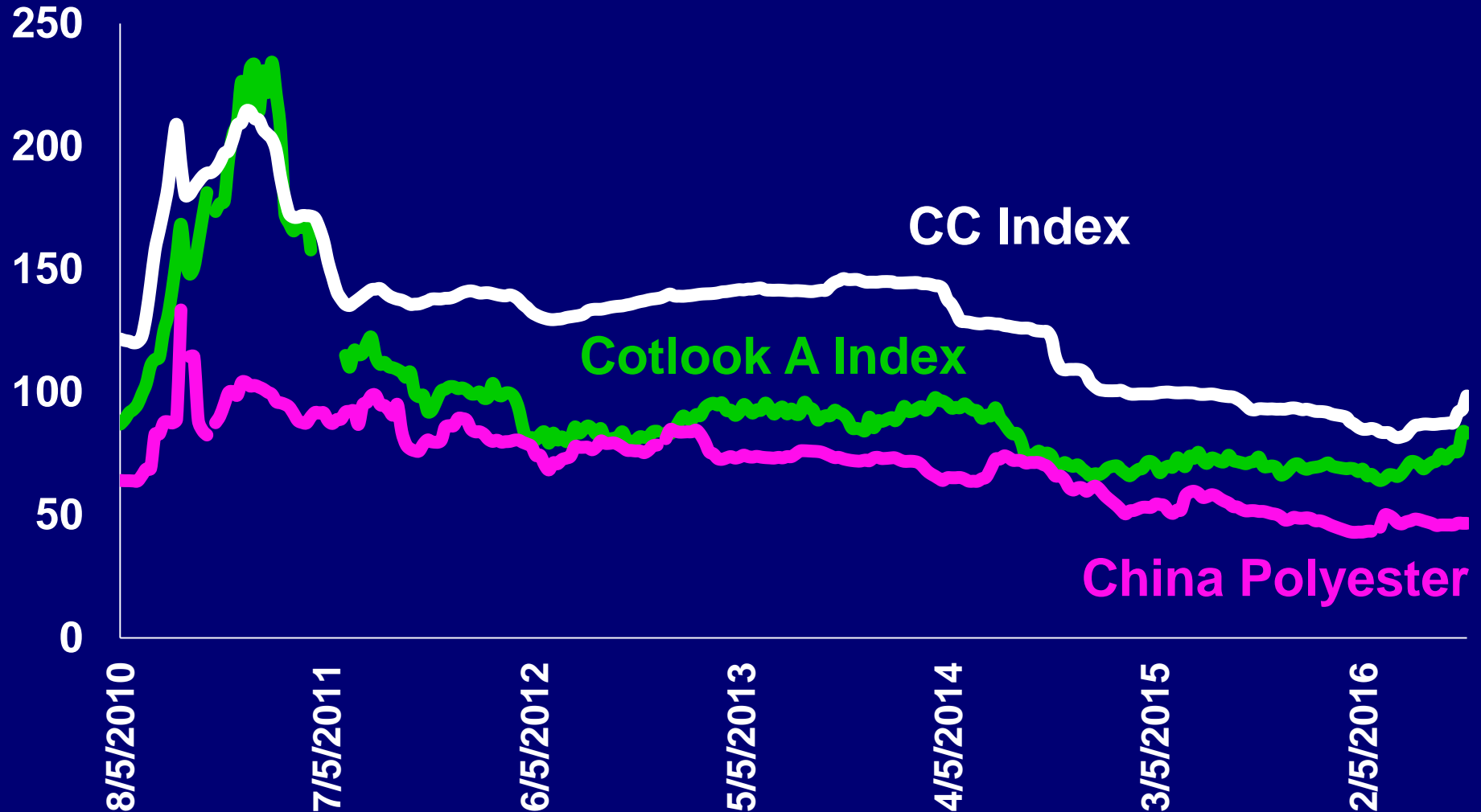


Source: Cotlook



Cotton and Polyester Prices

US cents/lb

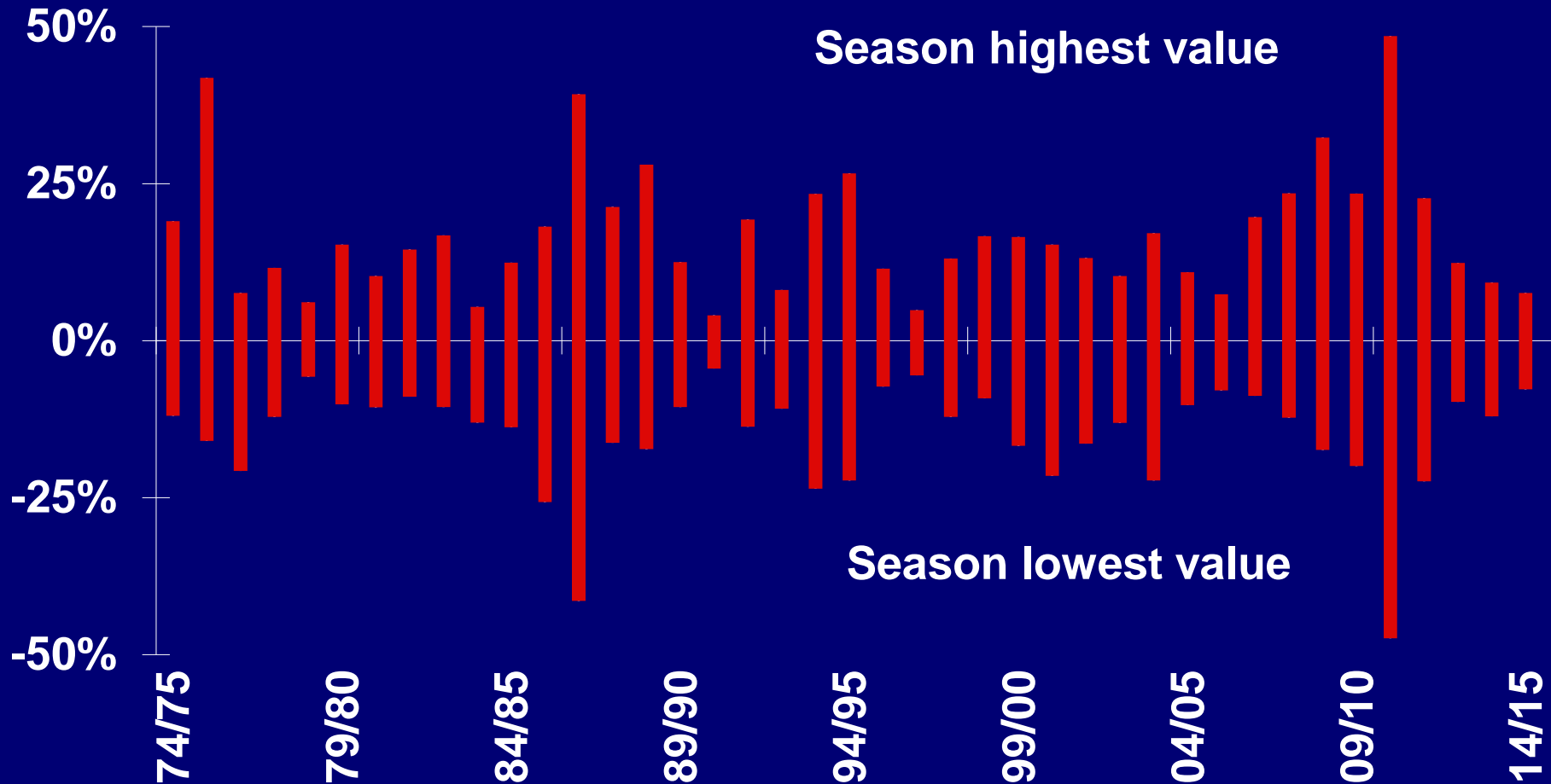


*Weekly quotes (Source: Cotton Outlook Ltd.)

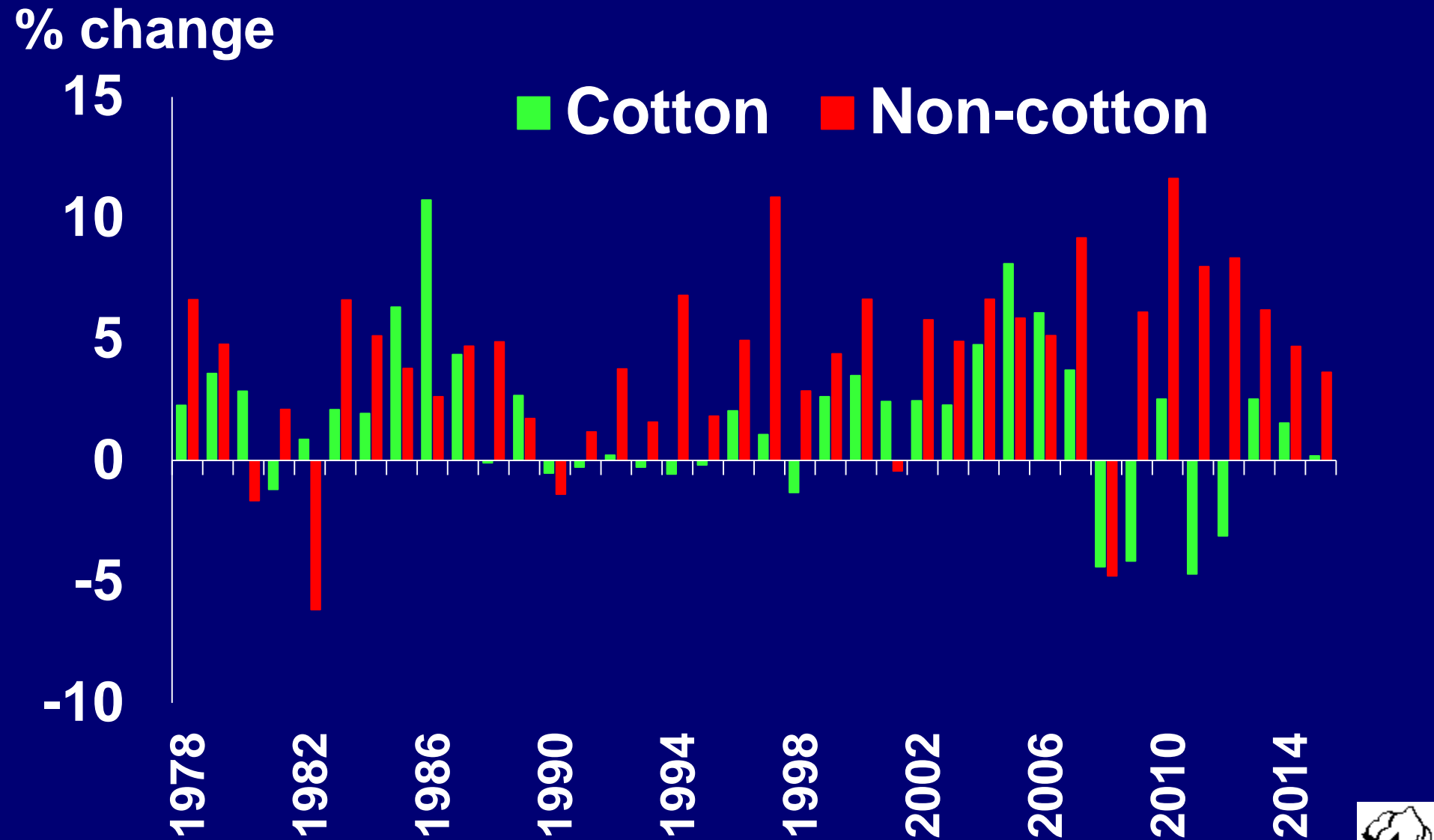


Price Volatility by Season: Daily Cotlook A Index

Difference with respect to season average

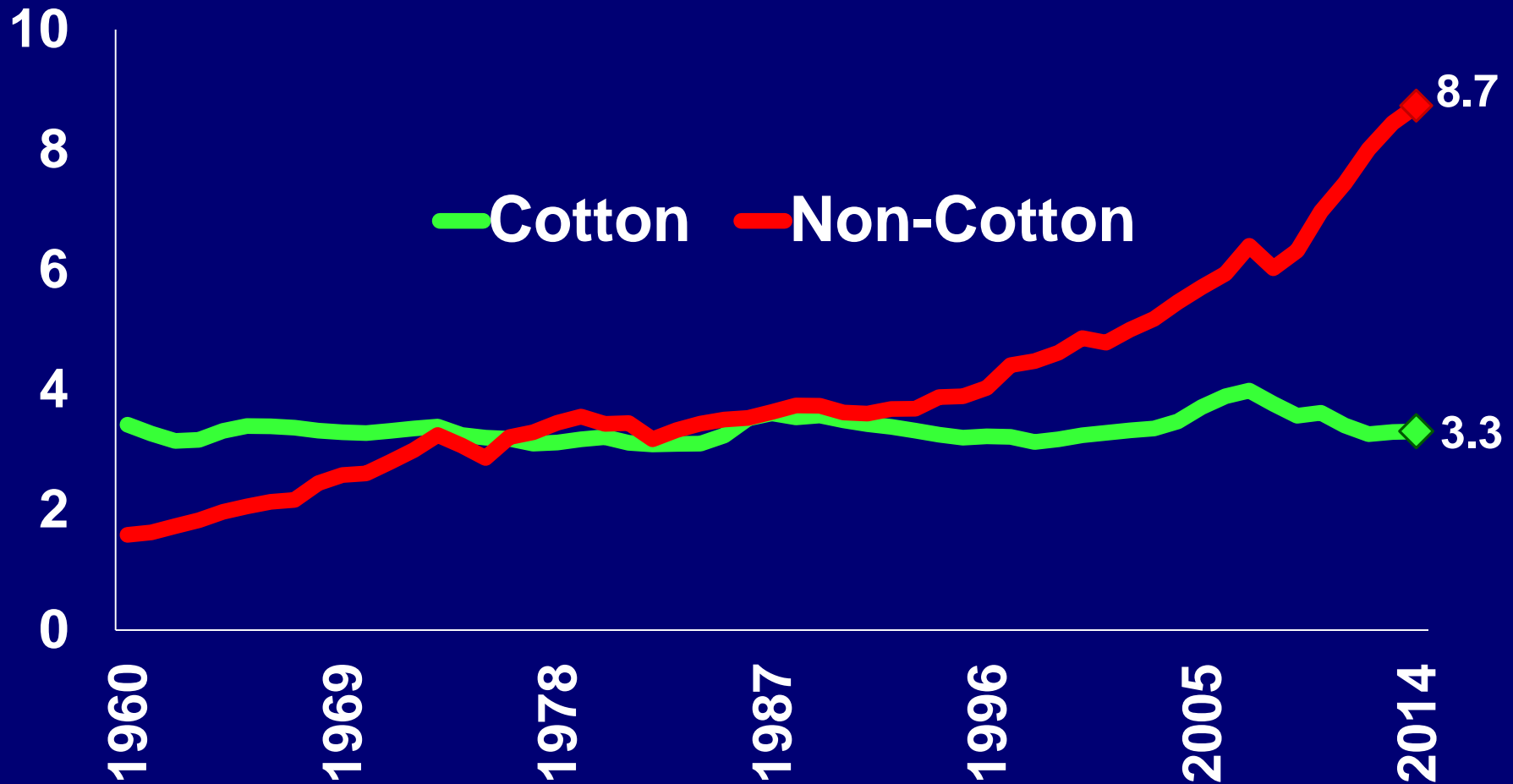


GROWTH OF COTTON AND NON-COTTON FIBER CONSUMPTION: WORLD



WORLD COTTON AND NON-COTTON TEXTILE FIBER CONSUMPTION PER CAPITA

kg/capita

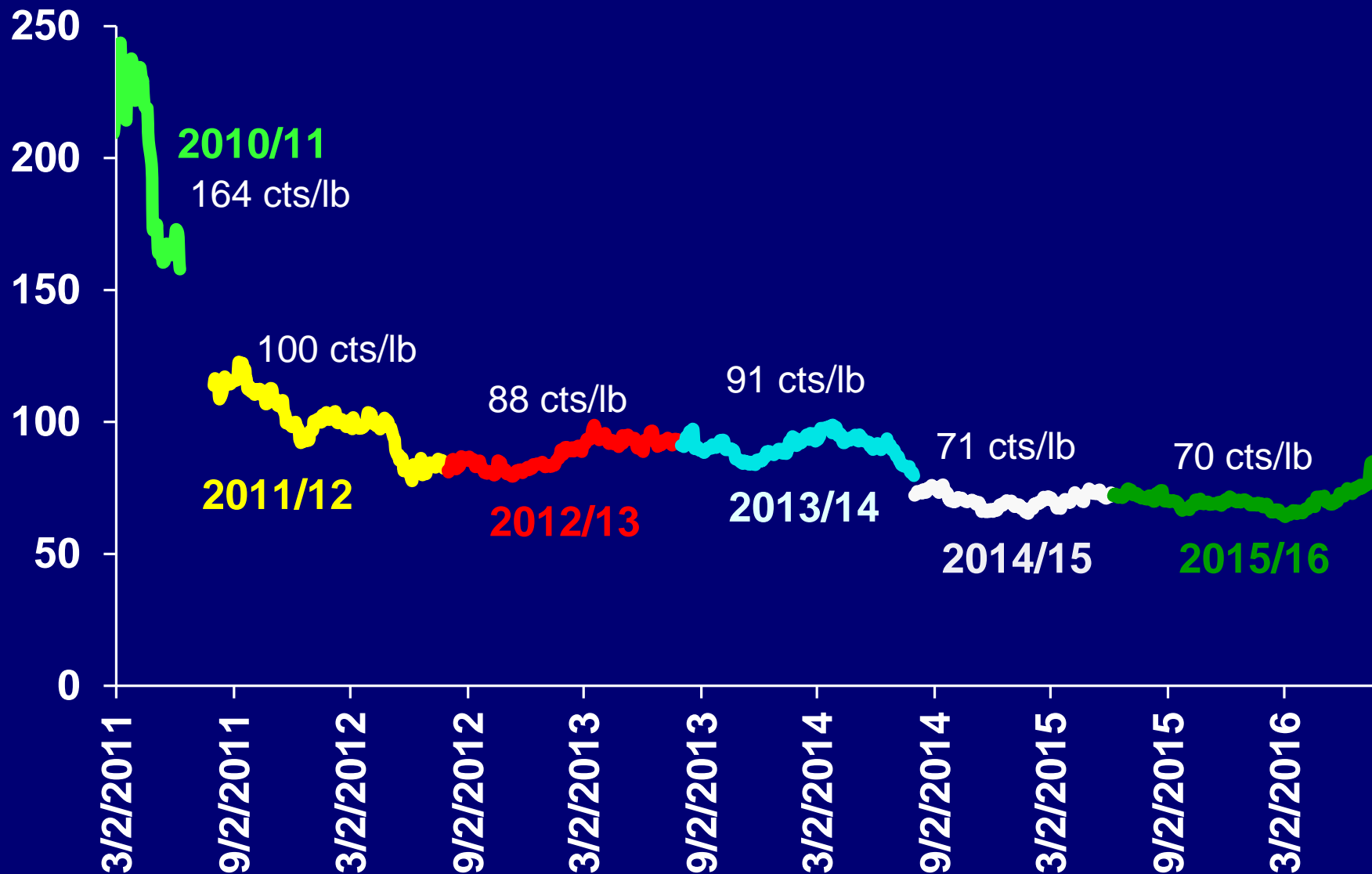


Past Trends

Government Interventions

Cotlook A Index

U.S. cents/lb

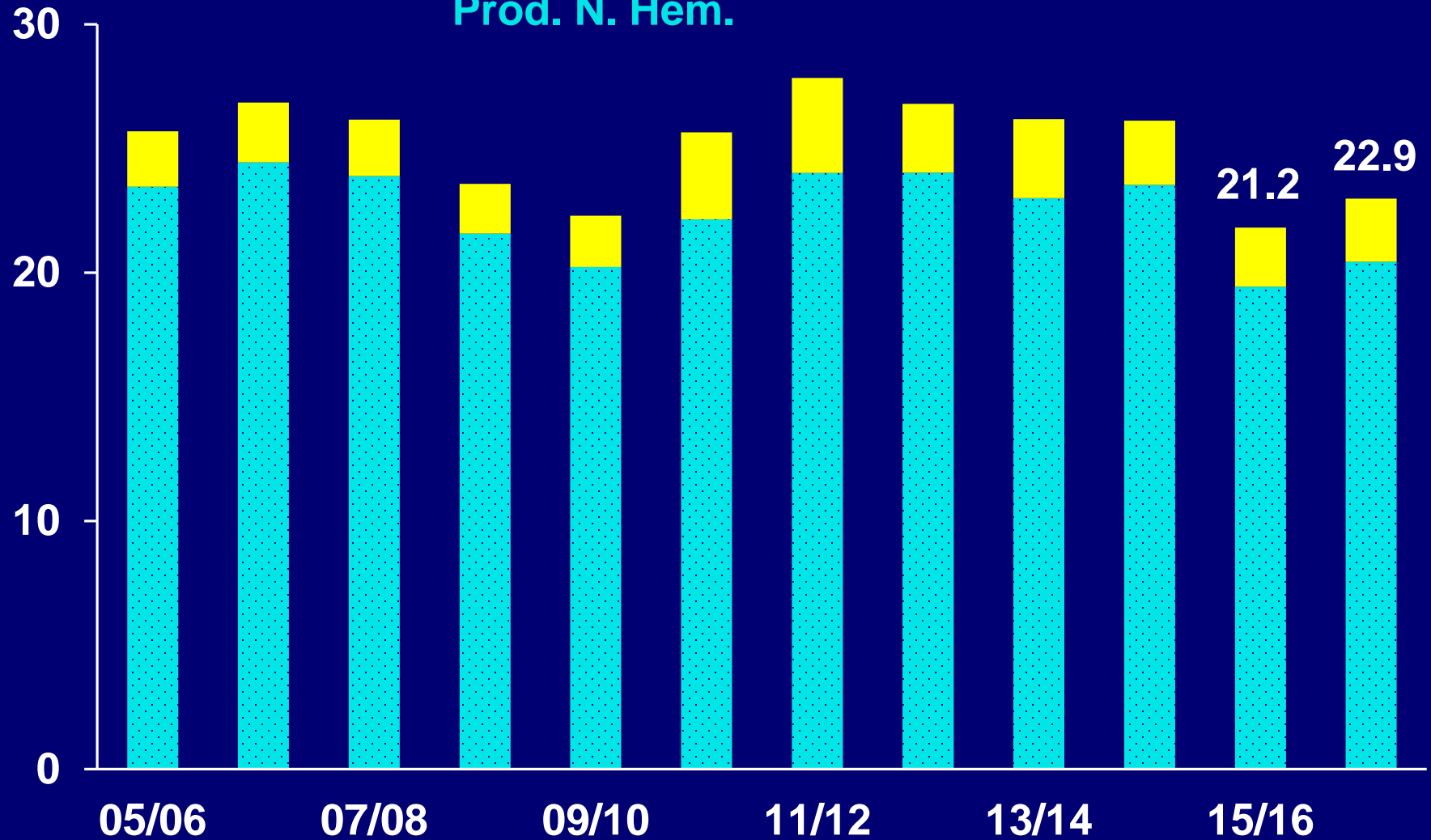


World Production

million tons

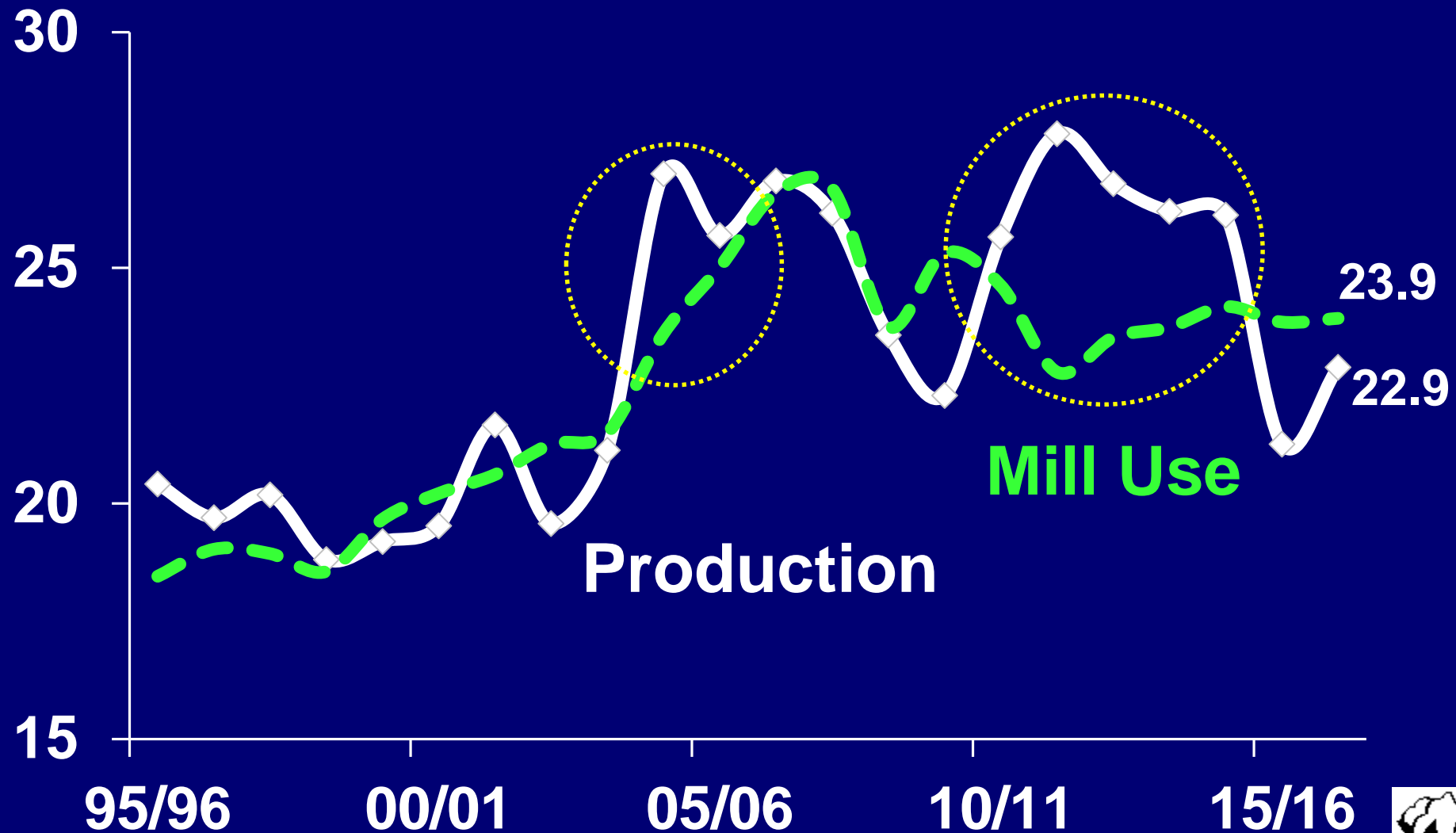
Prod. S. Hem.

Prod. N. Hem.



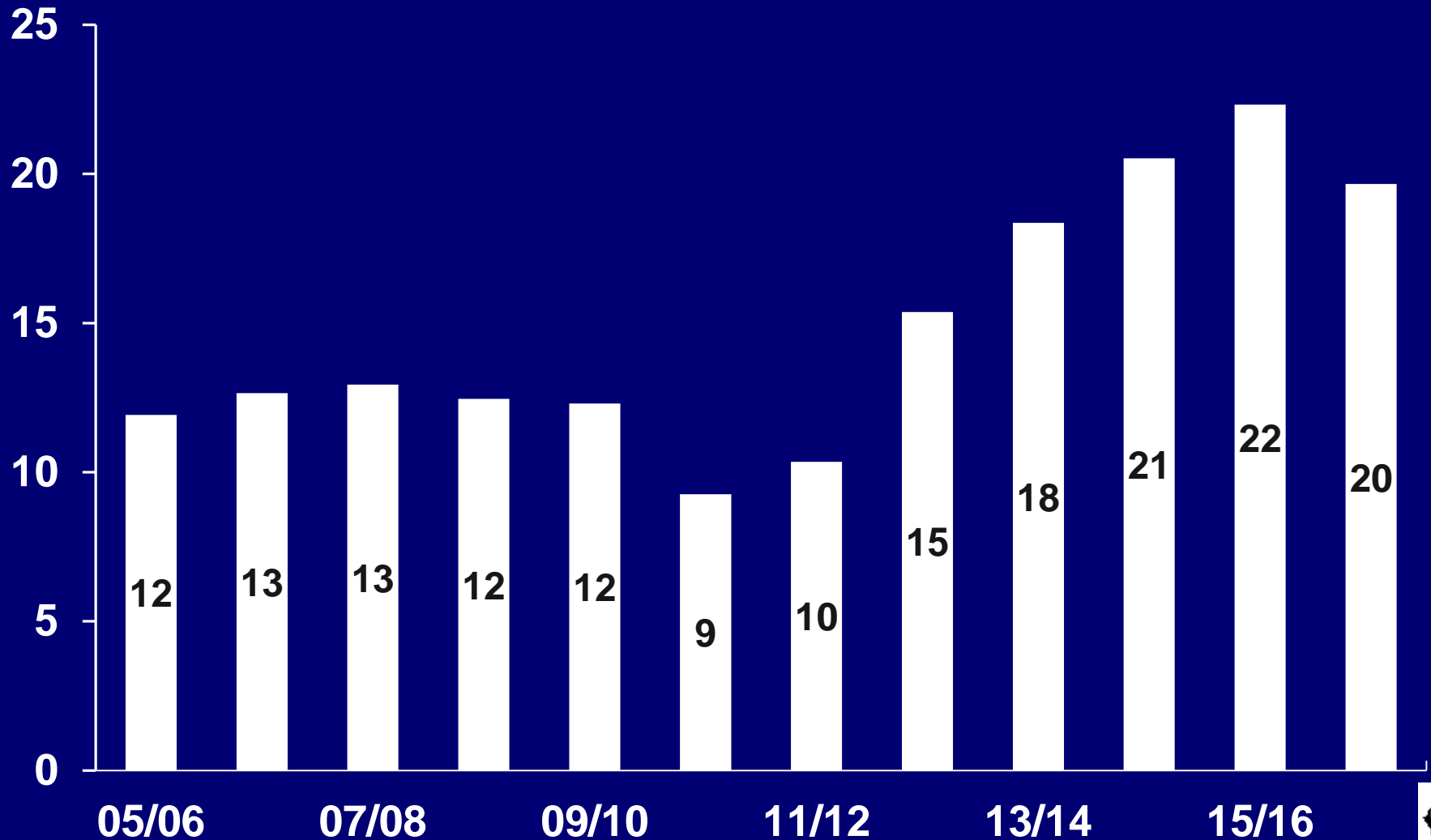
World Cotton Production & Mill Use

million tons



World Beginning Stocks

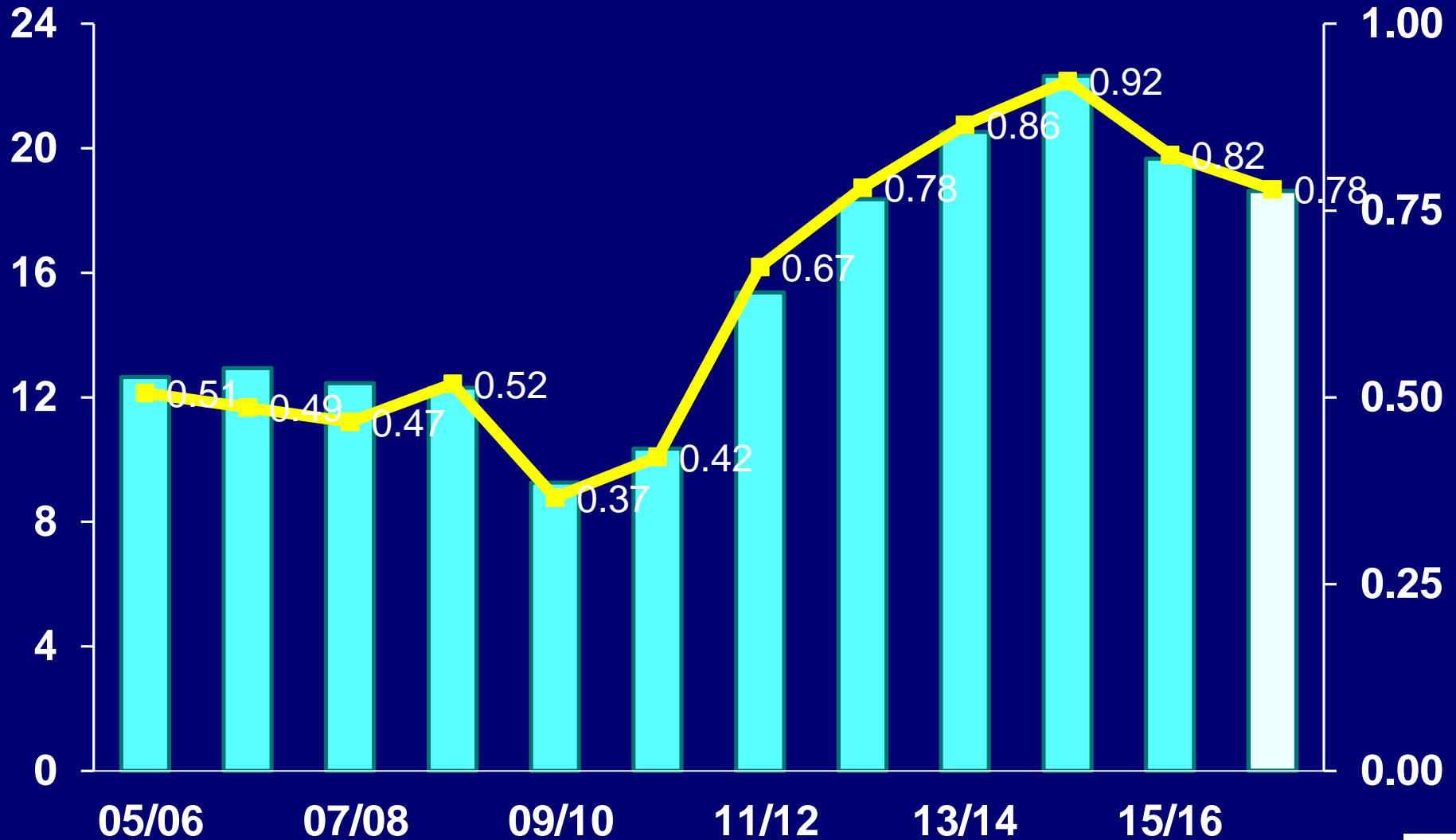
million tons



World Ending Stocks

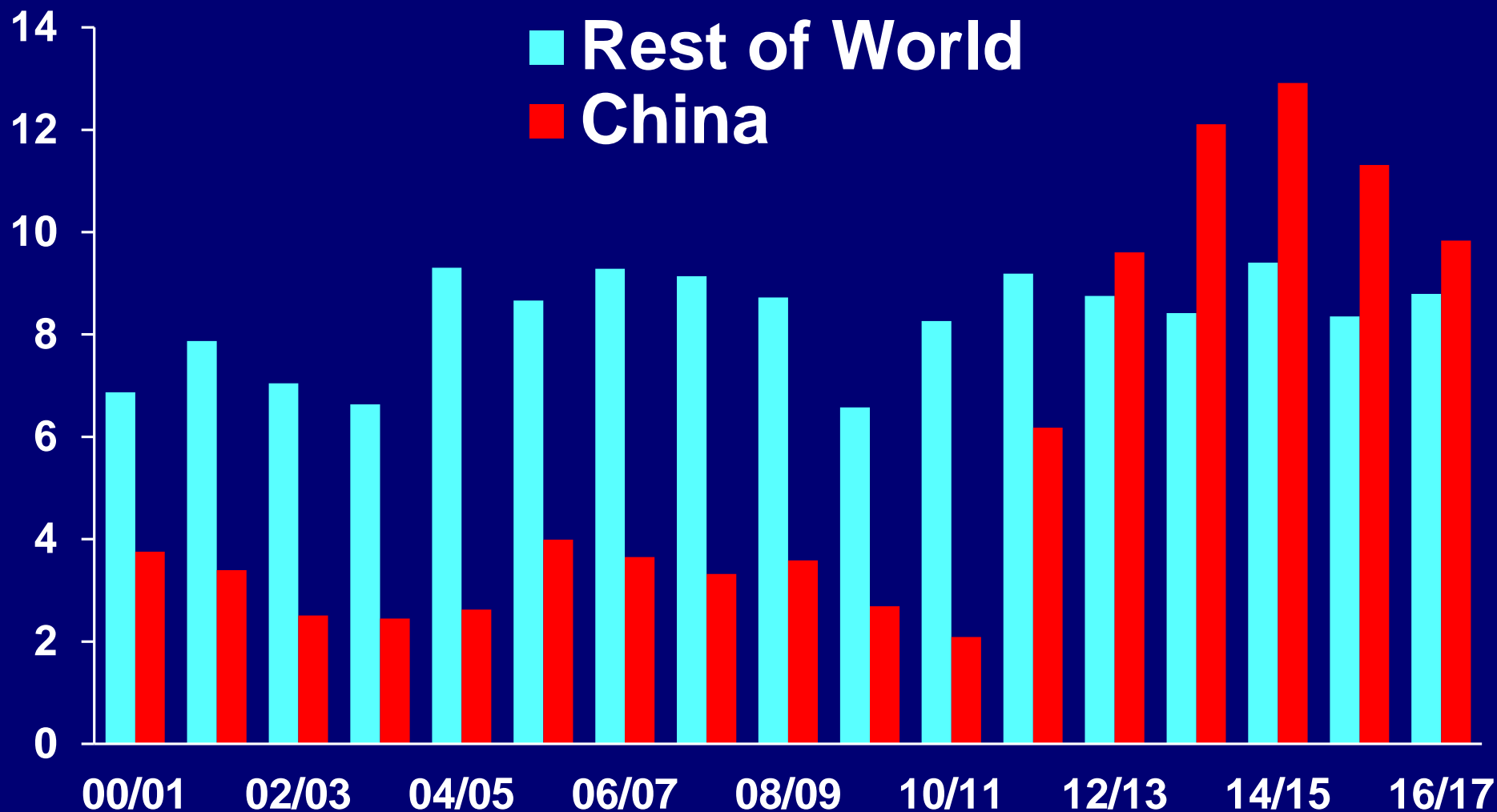
million tons

stocks-to-use ratio



Ending Stocks

Million tons



Factors Affecting Cotton Prices in 2010/11

A Index, US cents/lb

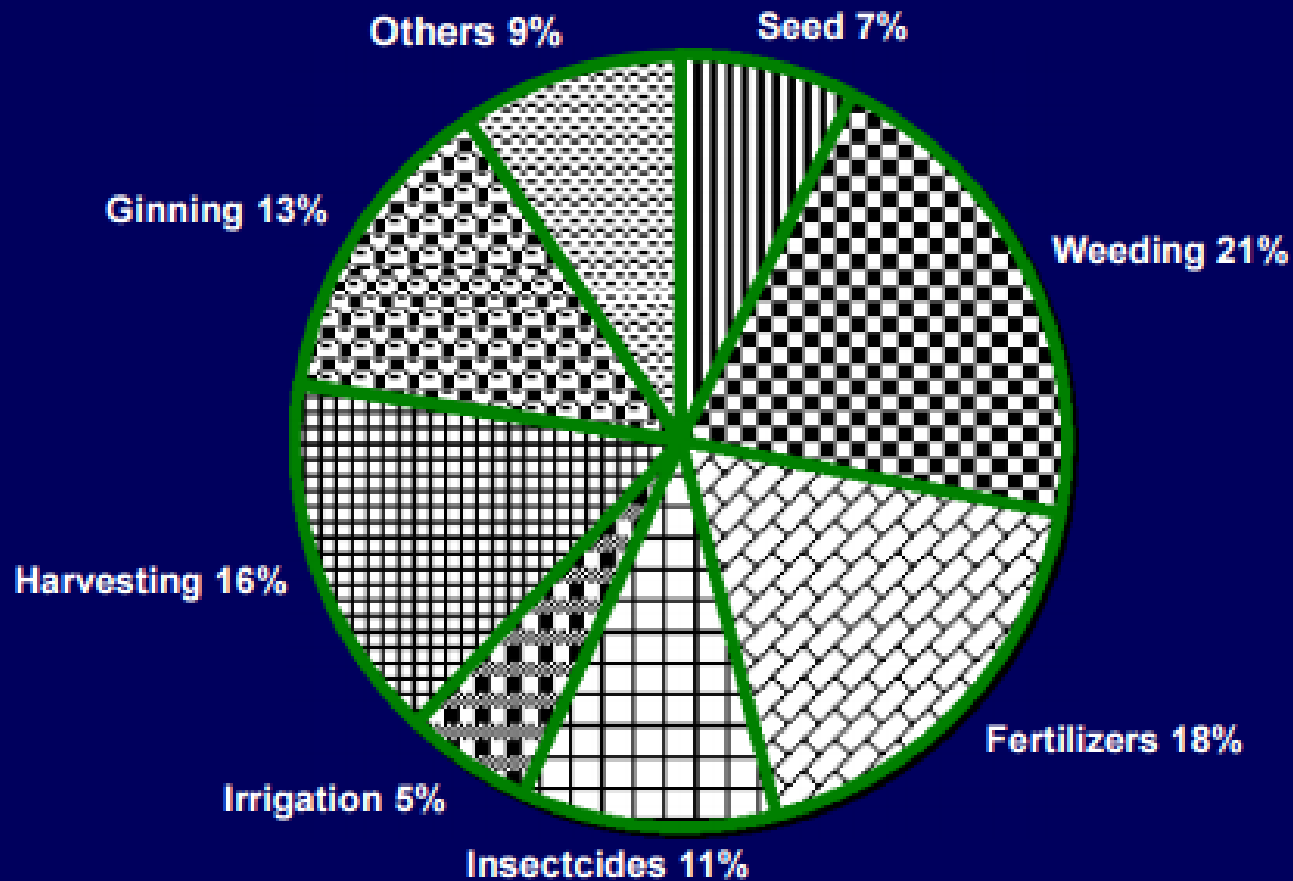


World Average Cost of Lint Production

US\$/Kg Lint

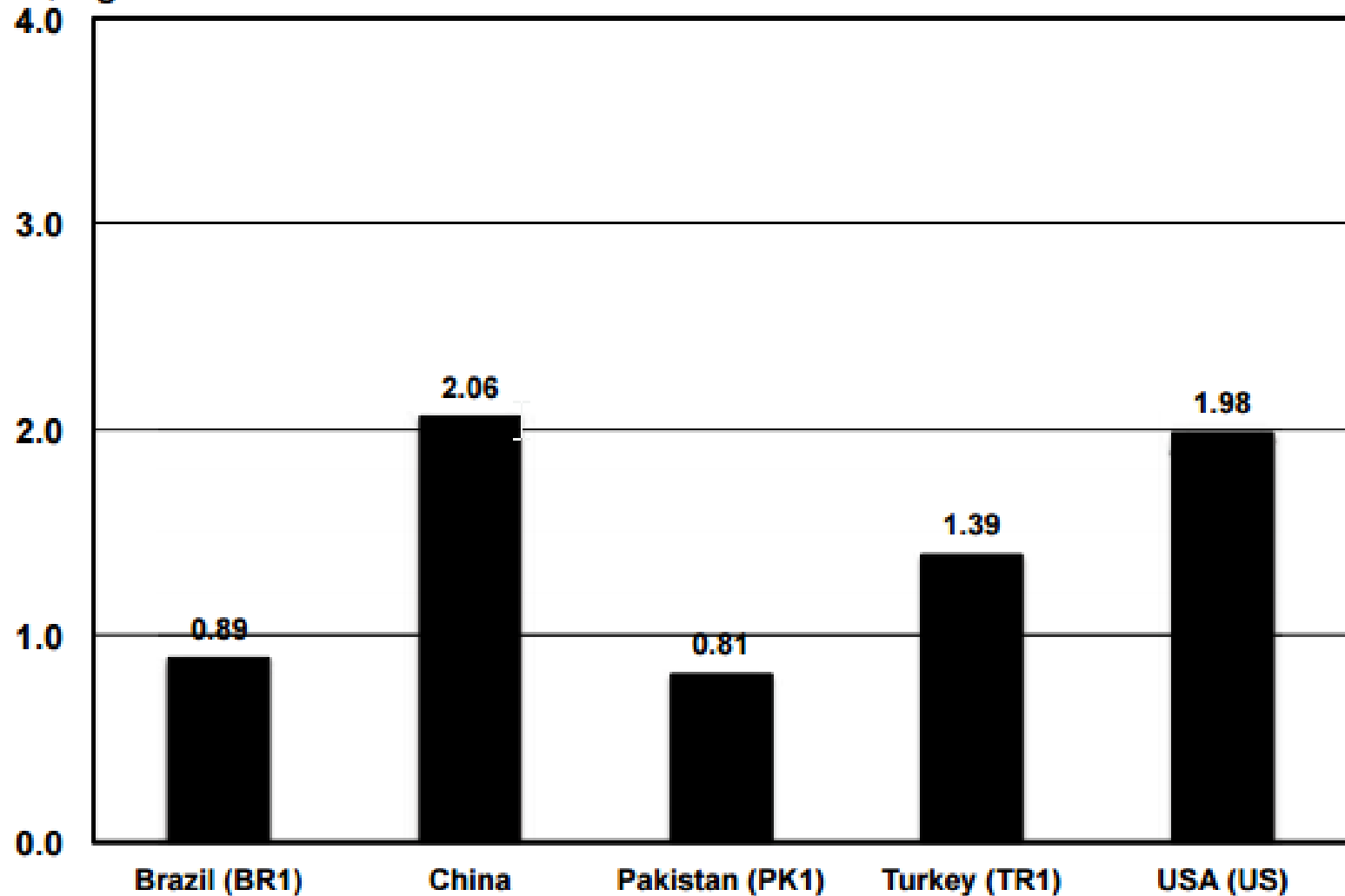


Structure of Cost of Lint Production – World Average



Cost of Production in Six Major Countries

US\$/Kg Lint



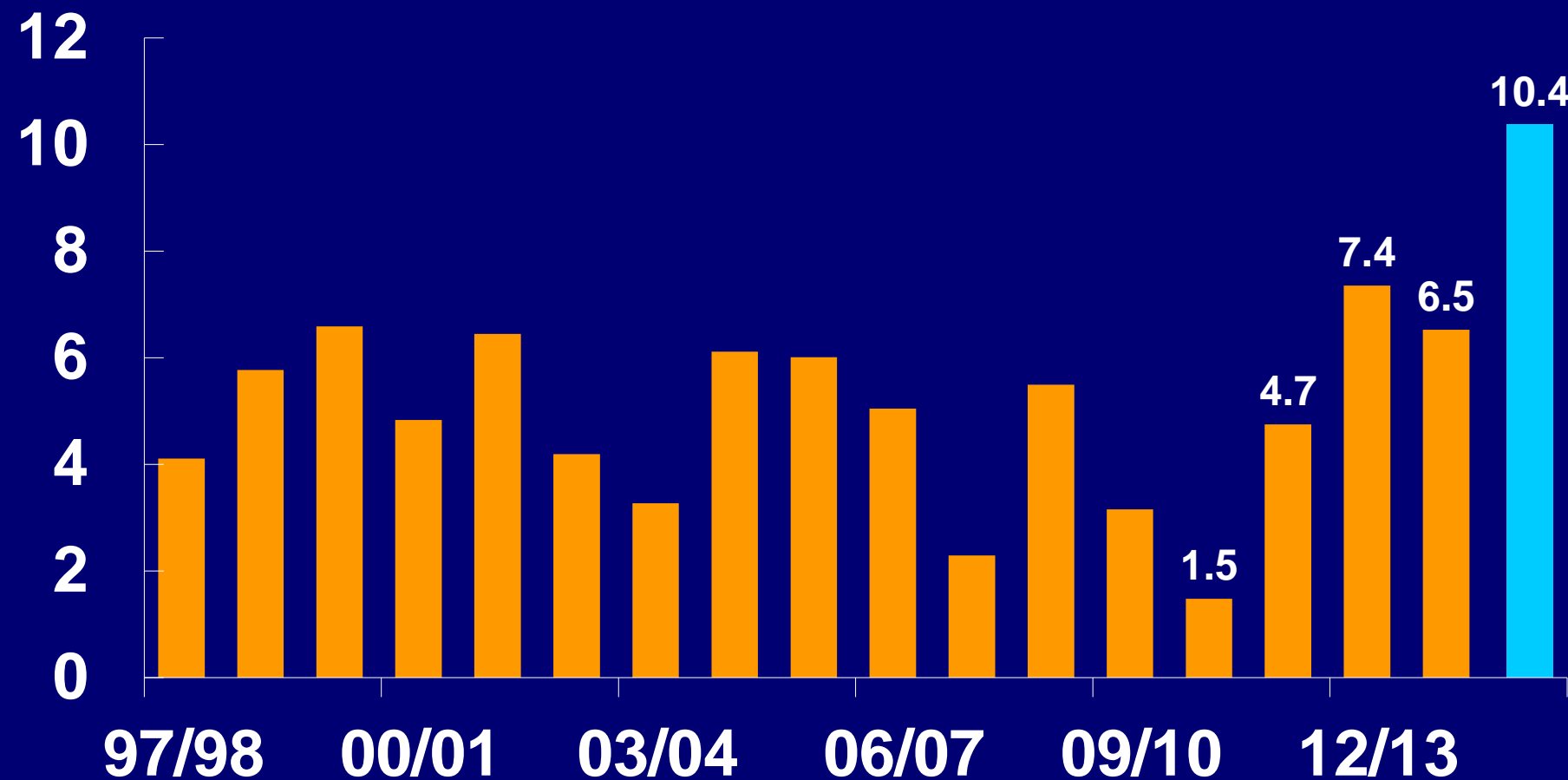
Direct Assistance to Cotton Production

- Direct support to production
- Border protection
- Crop insurance subsidies
- Minimum support price mechanisms
- Input subsidies
- Transportation subsidies

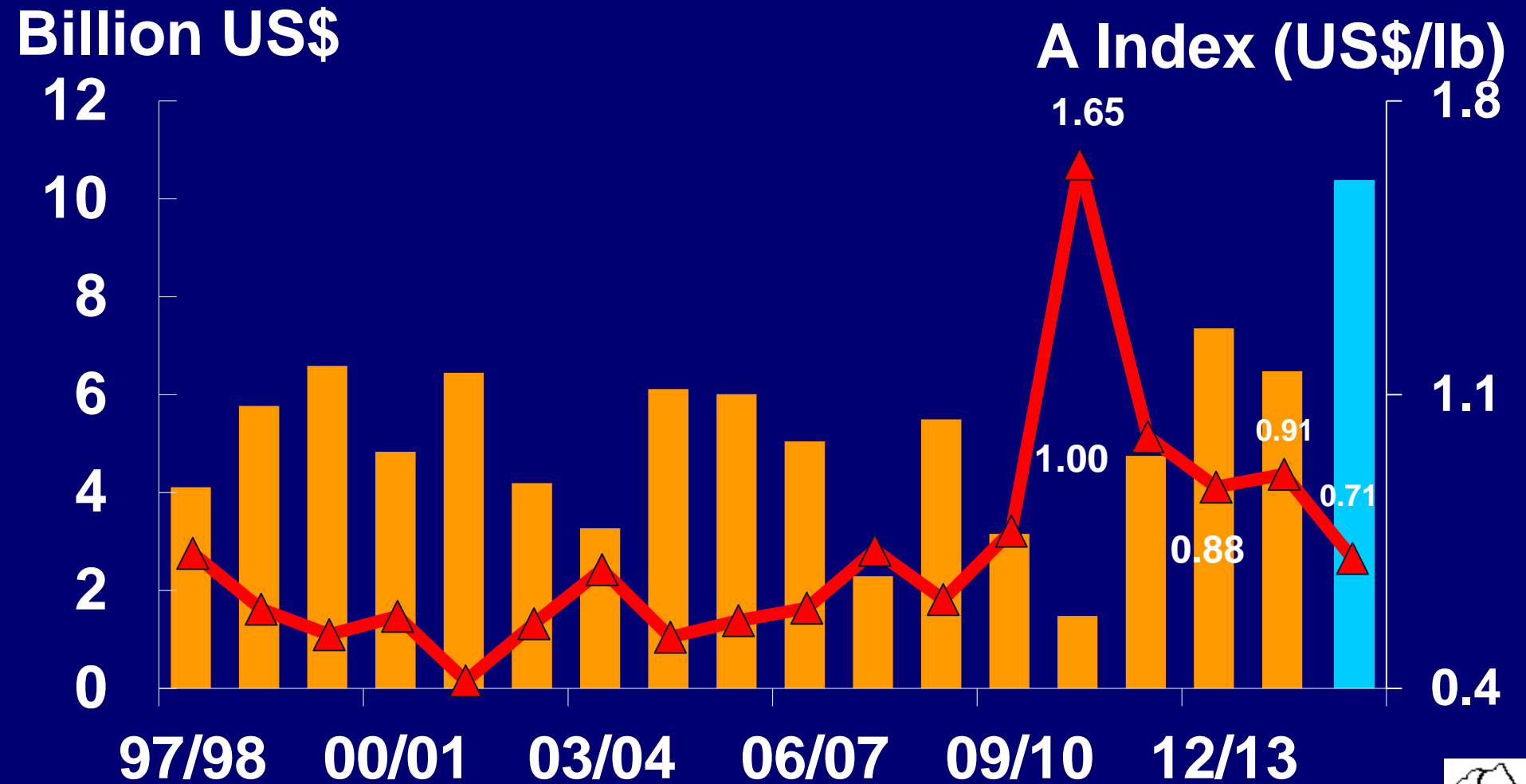


DIRECT ASSISTANCE TO COTTON

Billion US\$

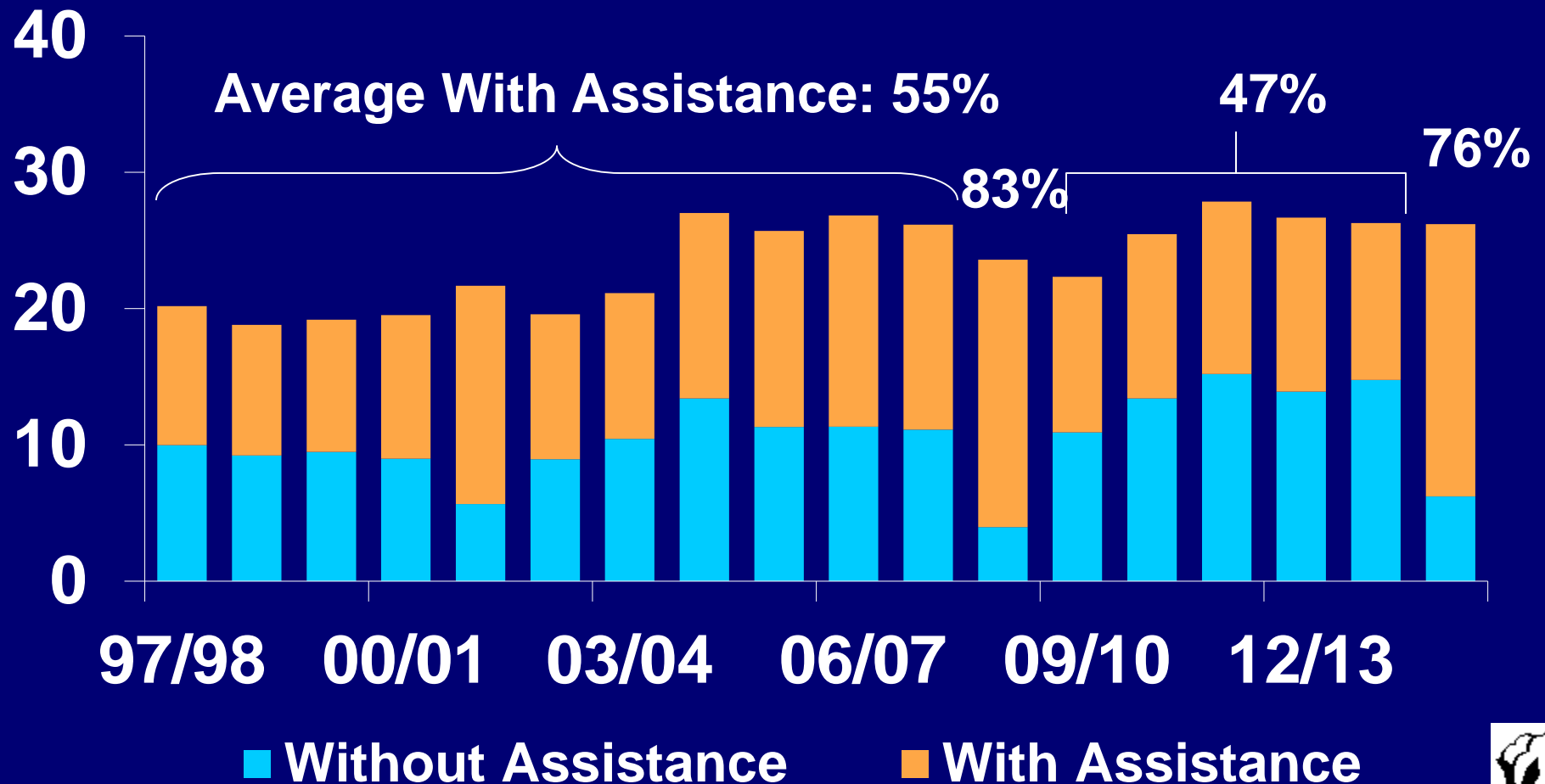


DIRECT ASSISTANCE TO COTTON AND PRICES



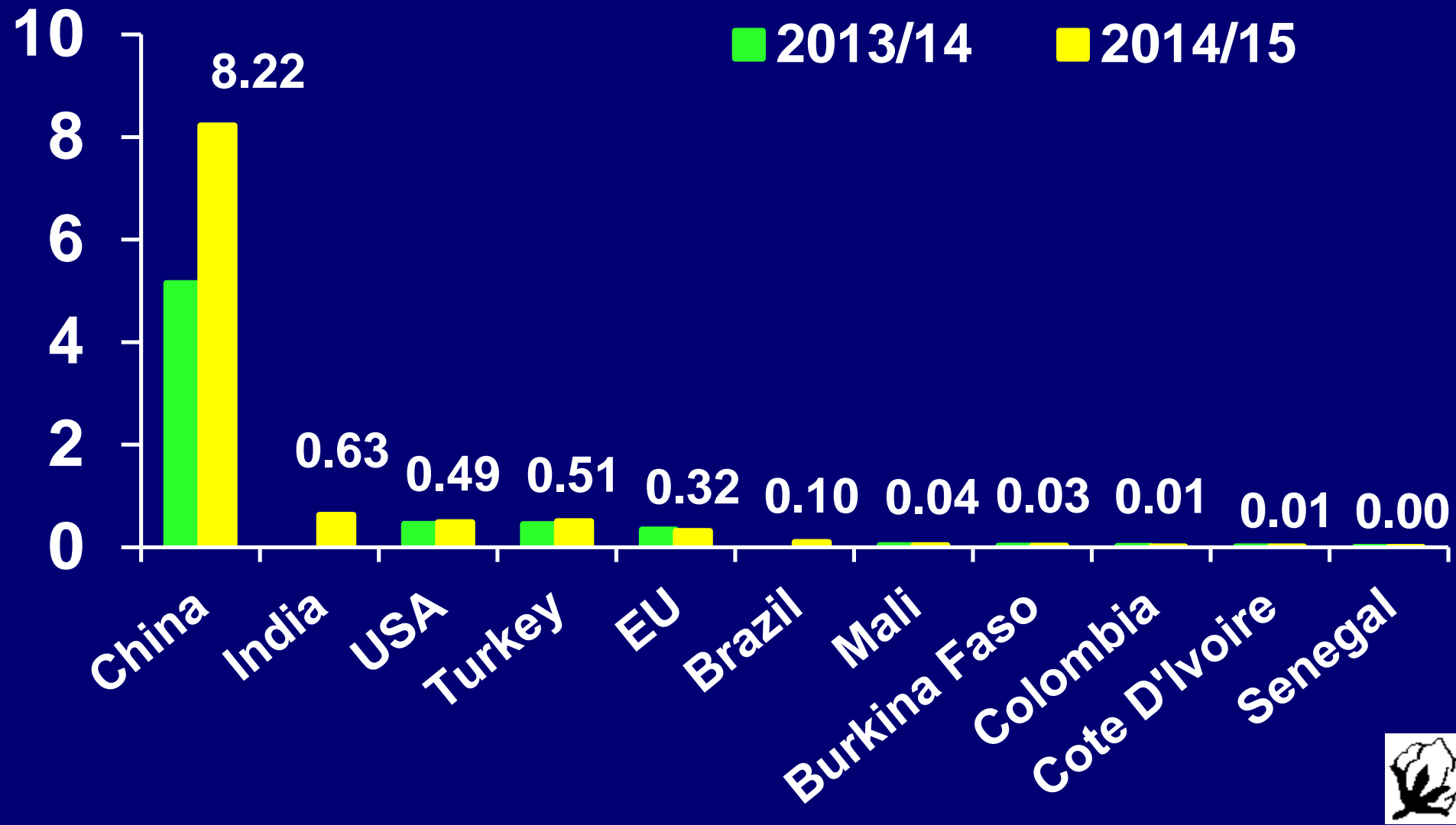
WORLD PRODUCTION UNDER DIRECT ASSISTANCE

Million Tons



DIRECT ASSISTANCE TO COTTON

Billion US\$

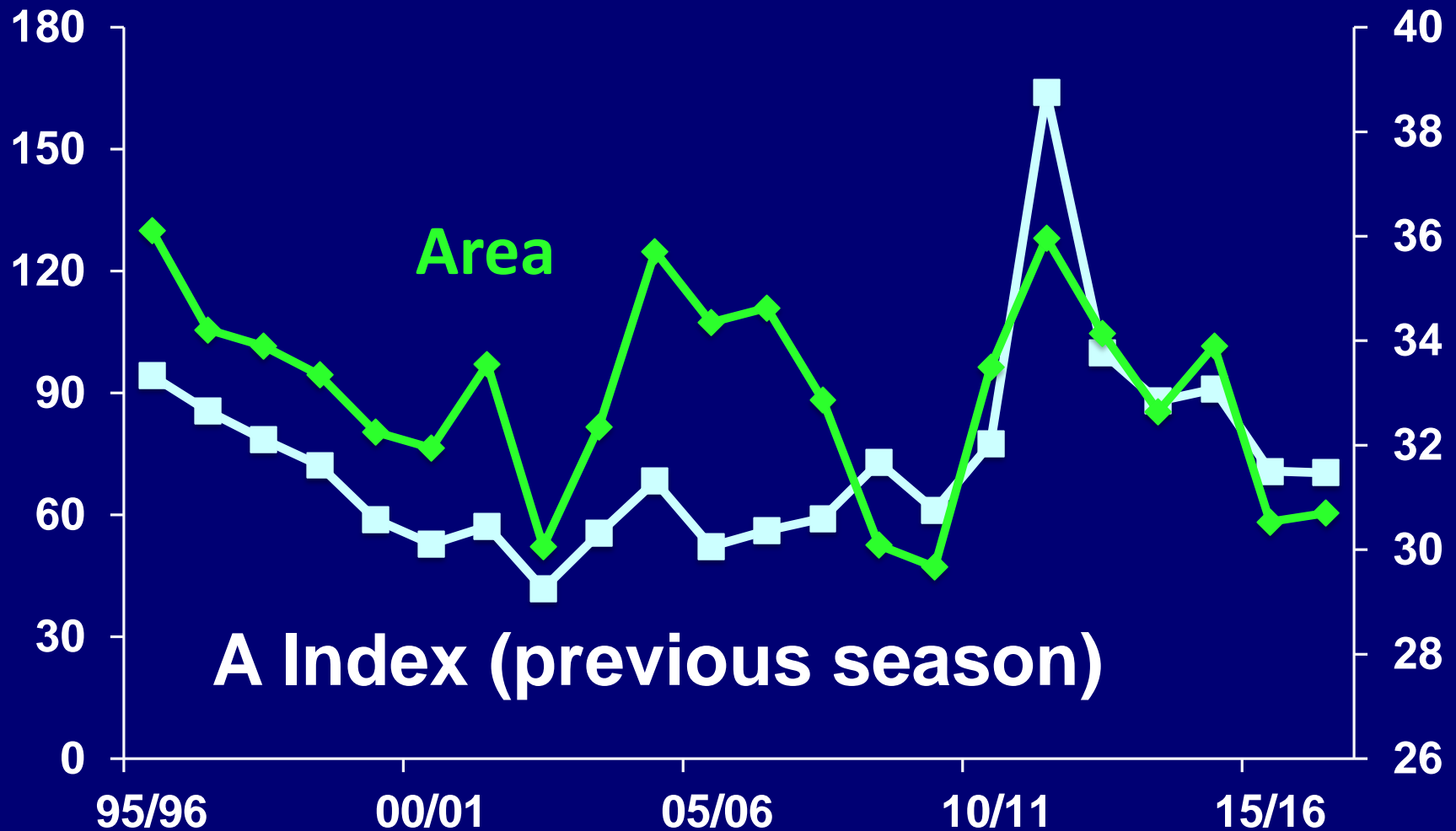


2016/17 Outlook

World Cotton Area and Prices

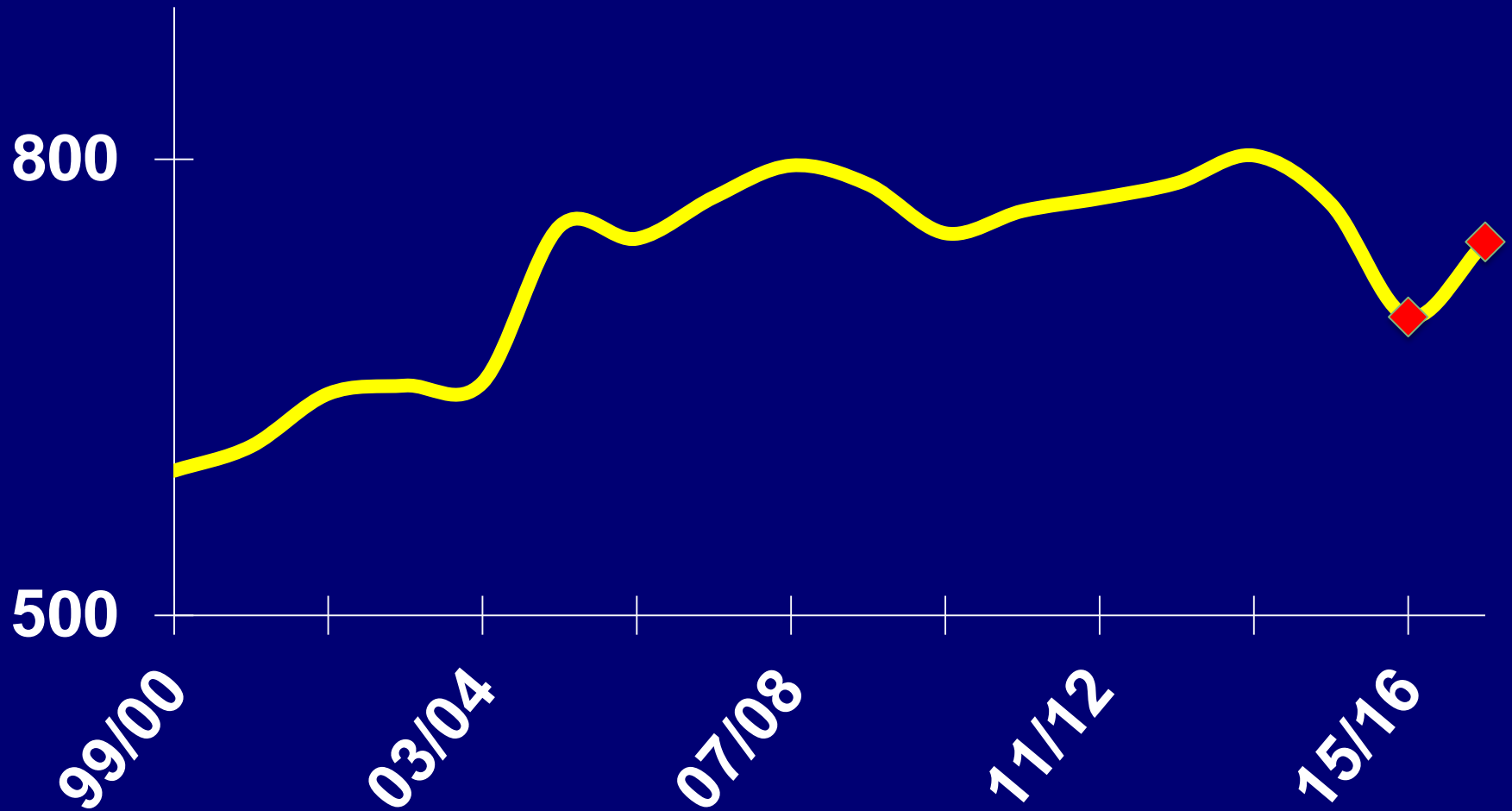
US cents/lb

million hectares

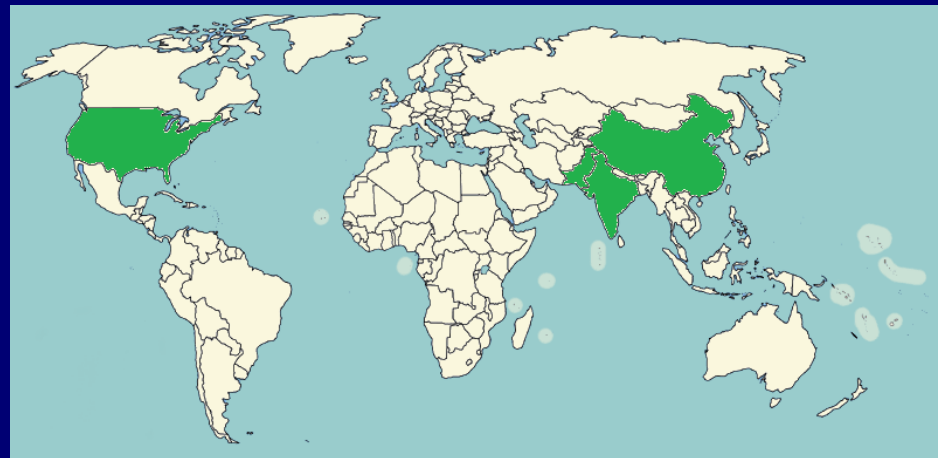


World Average Yield (rainfed + irrigated)

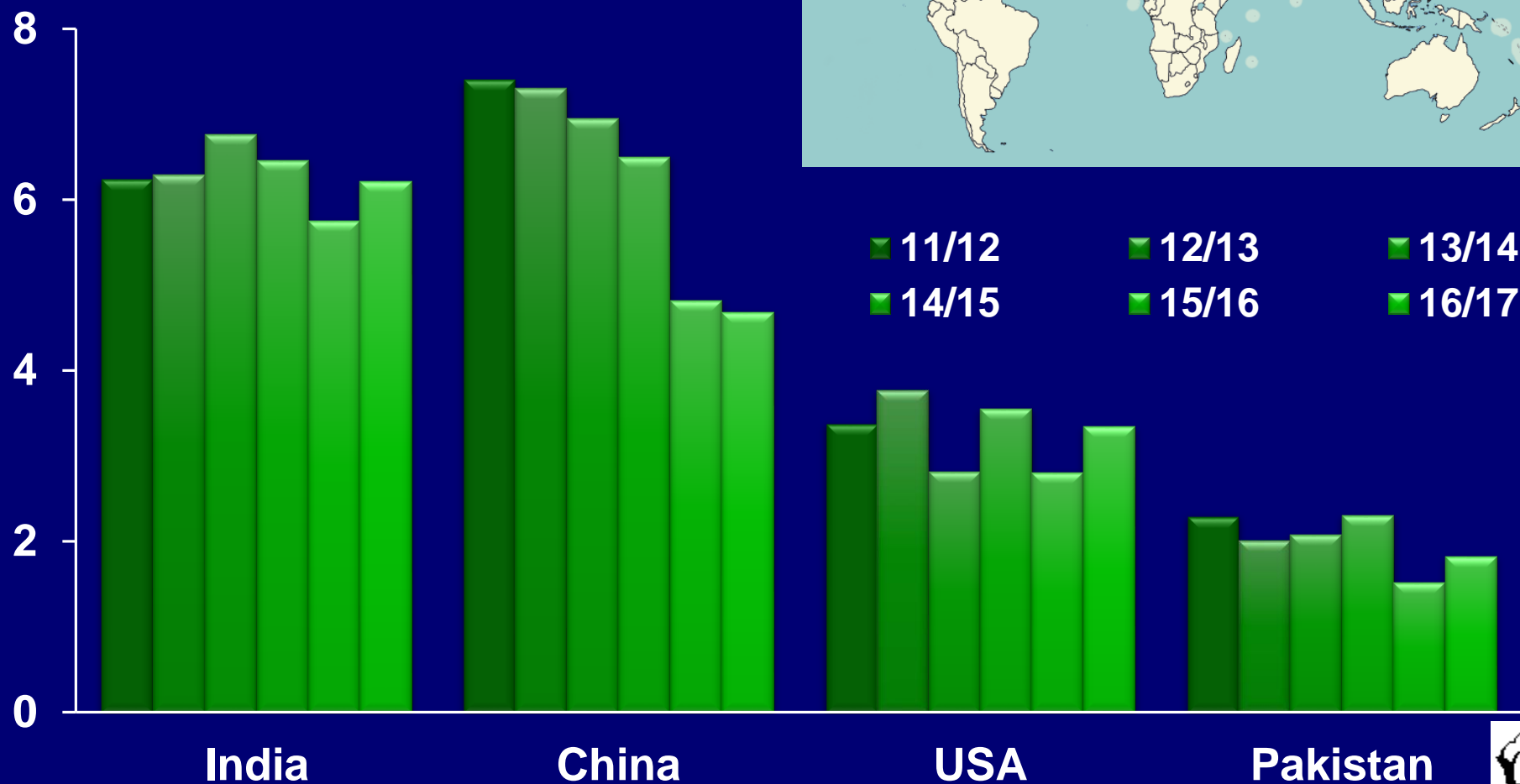
Kg/ha



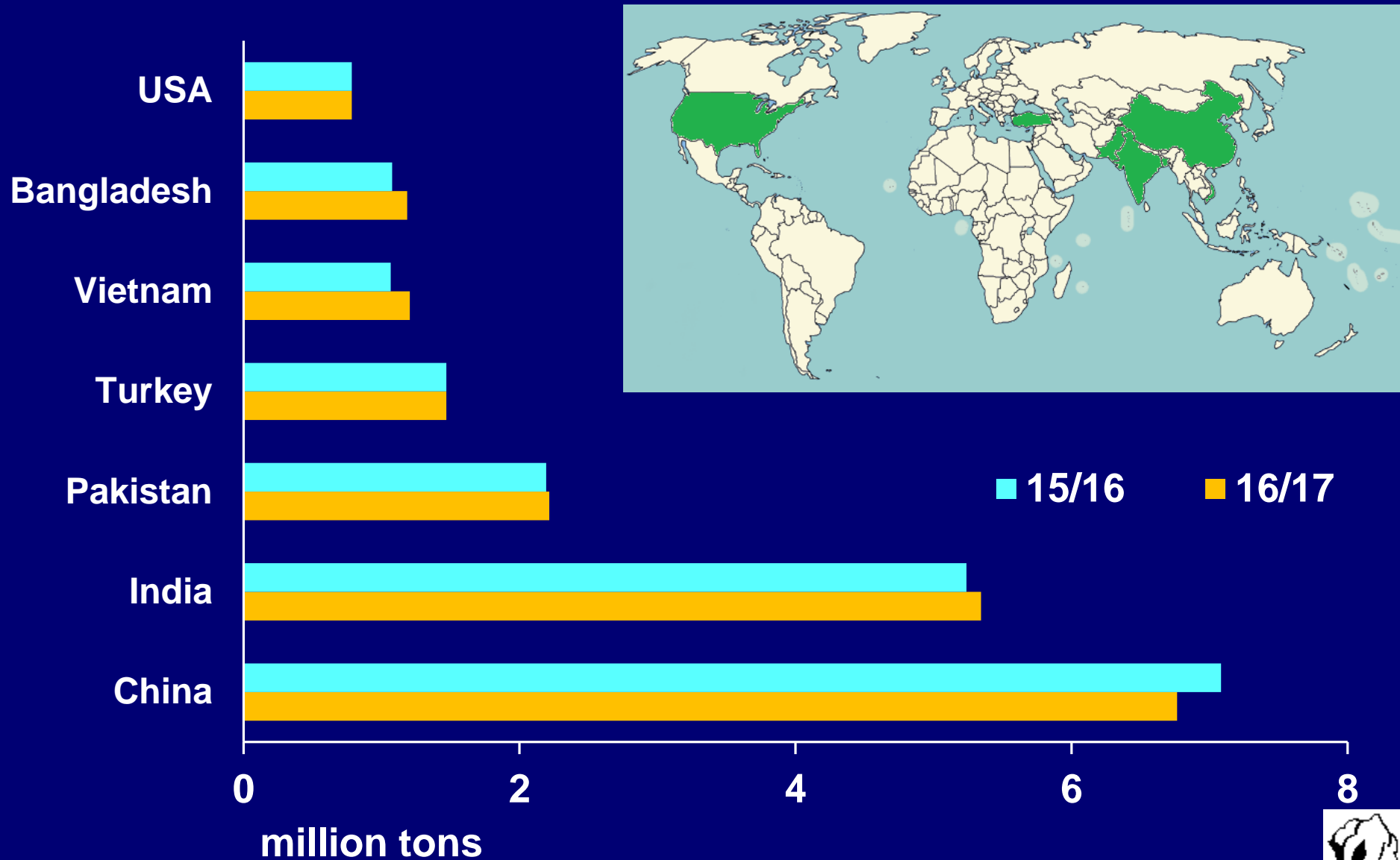
Major Cotton Producing Countries



million tons

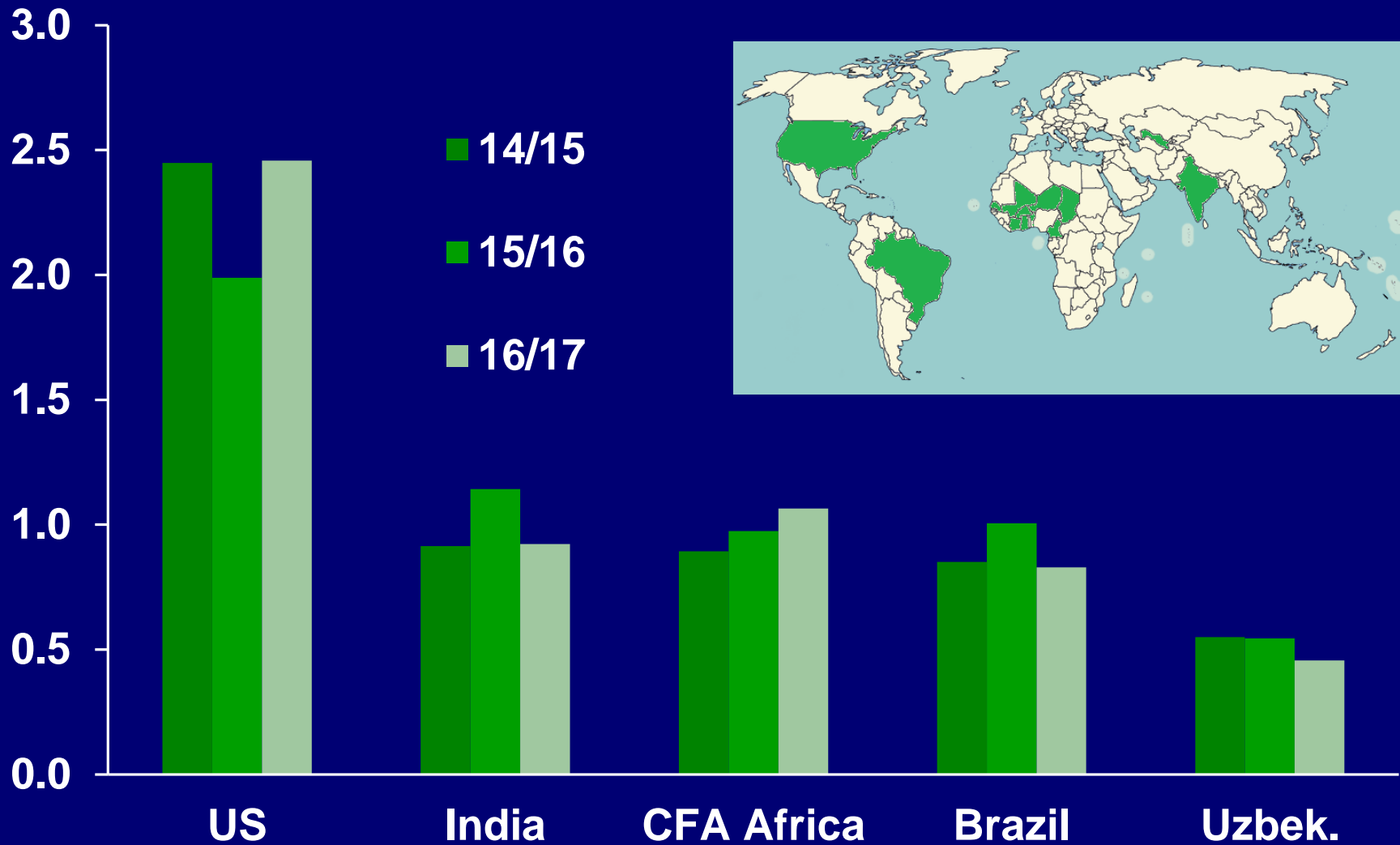


Cotton Consumption



Cotton Exports

million tons

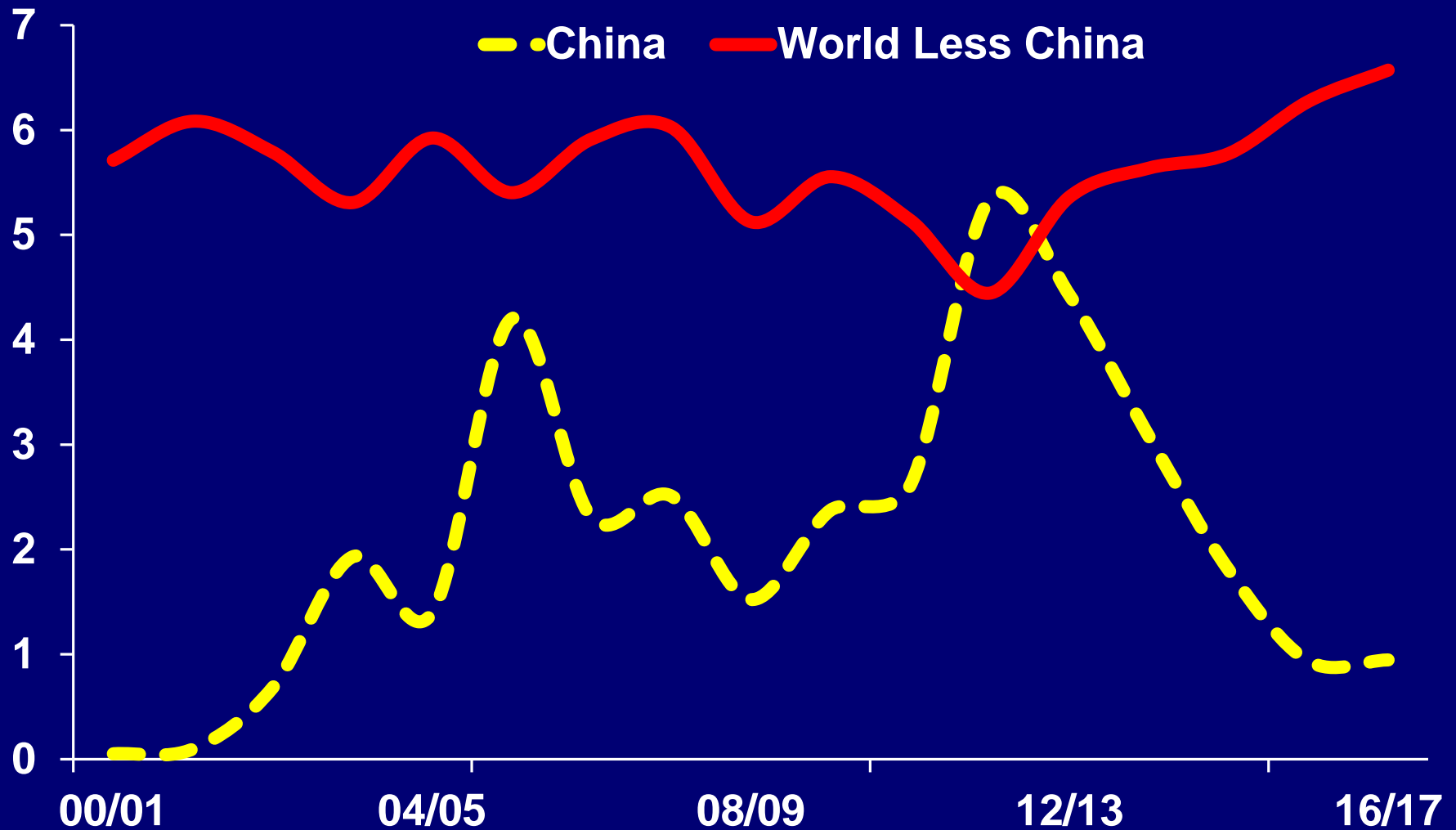


Francophone Africa includes Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Guinea, Madagascar, Mali, Niger, Senegal and Togo.



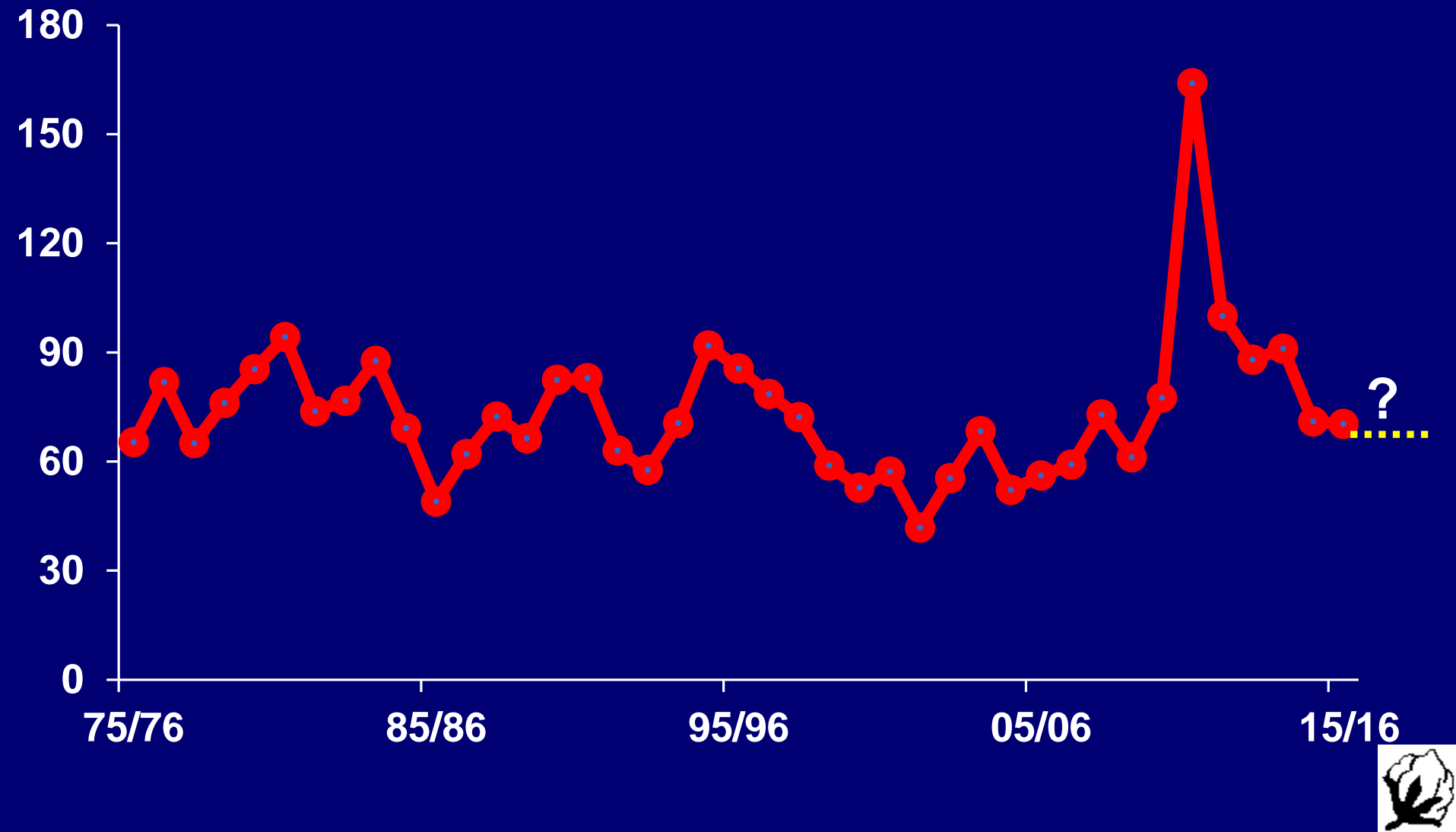
Cotton Imports

million tons



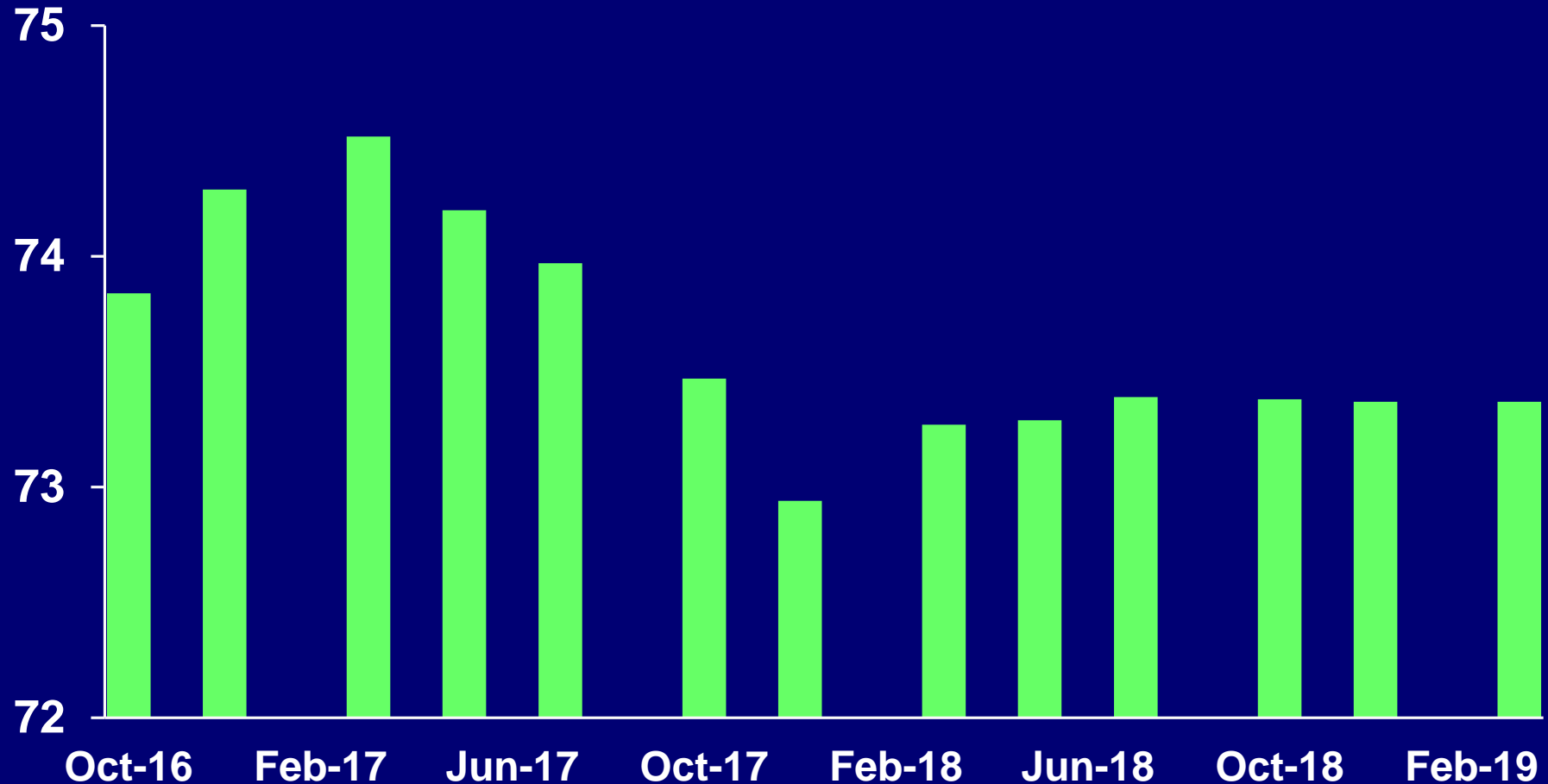
Cotlook A Index

season-average (US cents/lb)



Settlement Prices for Cotton Futures Contracts as of August 3

cents/lb



Prices in 2016/17

- **Dependent on effects of Chinese policy**
- **Production vs. Consumption**
- **Prices for polyester and competing fibers**
- **Recovery of World Economy**



Technological Changes in Agriculture

- Mechanization
- Synthetic fertilizers
- Insecticides
- Herbicides
- Biotechnology
- ?



Outlook for Merchants

- Fewer and bigger (↑ concentration)
- More multi-commodity merchants
- Fewer cotton-only merchants

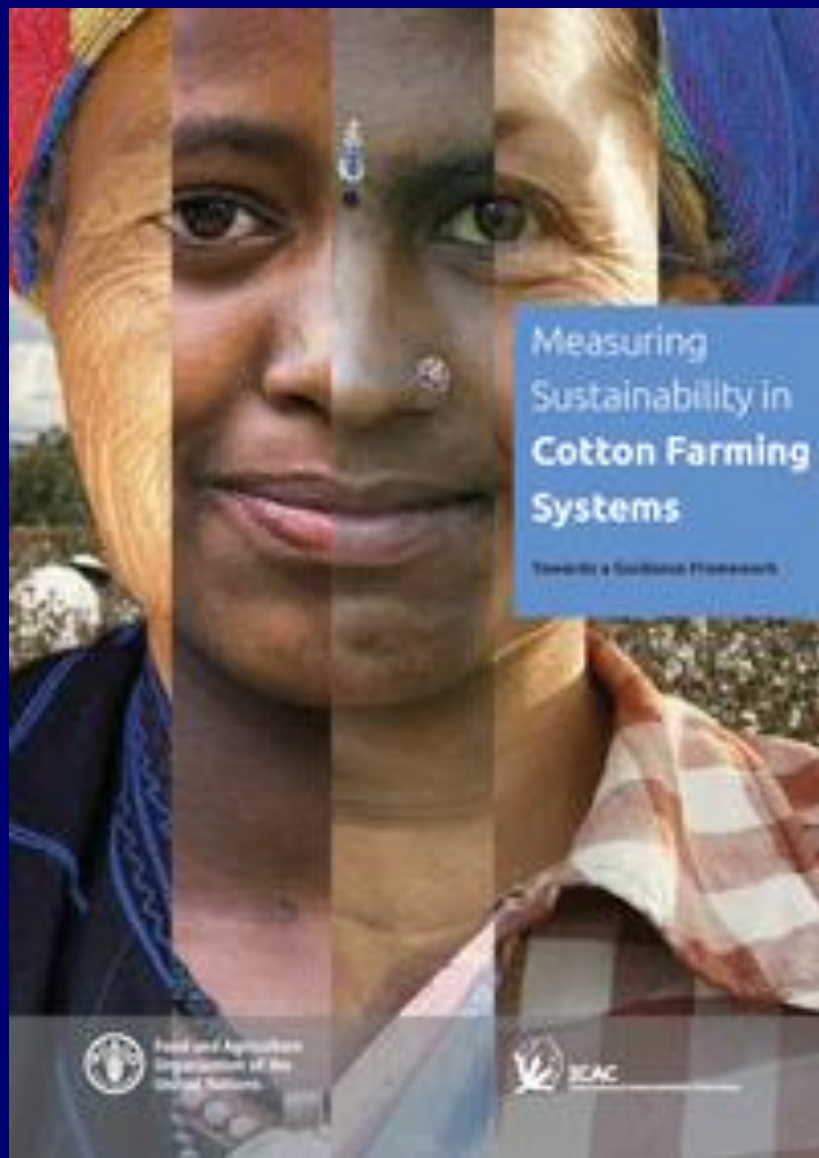


ICAC & Sustainability

- **Expert Panel on Social, Environmental & Economic Performance of Cotton (SEEP)**
- **Sustainability Metrics:**
 - Technically focused
 - Empirically driven set of recommendations
 - Minimum standards for sustainable cotton production



SEEP Report



- Key issues to be addressed
- Best indicators to assess progress
- Appropriate stakeholders
- Country-by-country basis
- Creation of national committees
- Importance of good data
- Not mandatory
- Testing has begun

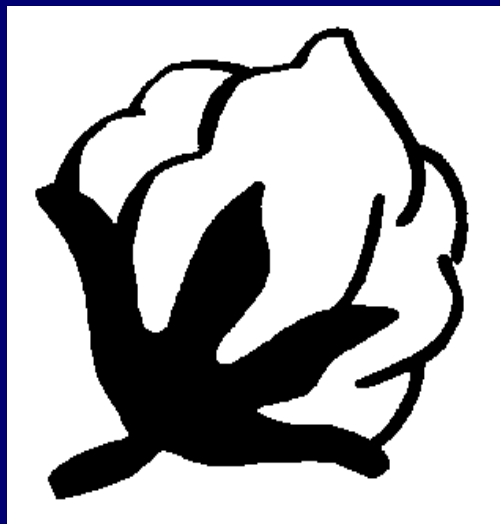


CHALLENGES

- Reduce Volatility
- Competitive pricing
- Improve Yields
- Reduce Environmental Impact
- Improve access to financial services (credit & risk management)
- Improve social sustainability: empower women & attract youth
- Standardized testing and classification
- Improve performance
- Promote demand
 - Support for International Forum for Cotton Promotion (IFCP)
 - Consumer education: labeling



Thank you for your attention!



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