COTTON REPORT

6th Dedicated Discussion of the Relevant Trade-related Developments On Cotton

Geneva

23 November 2016

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Executive Director
International Cotton Advisory Committee

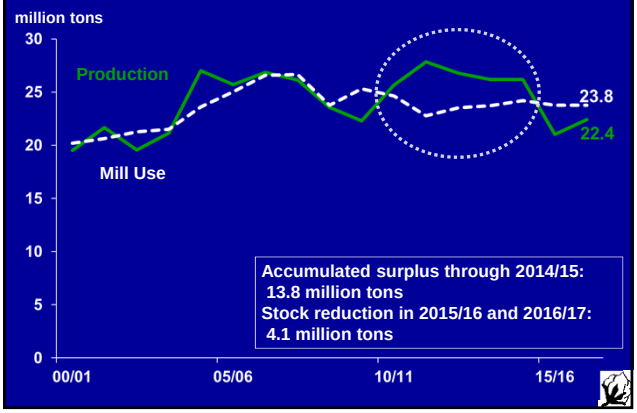
SUMMARY

1. Introduction
2. Production
3. Trade
4. Consumption
5. Stocks
6. Government Support Measures
7. 75th ICAC Plenary Meeting

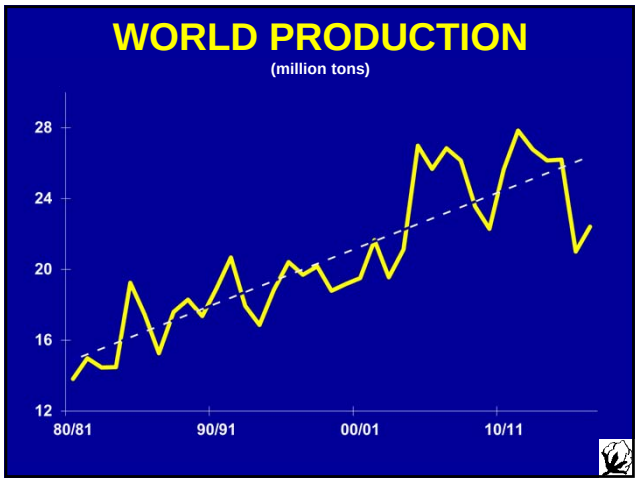
COTTON PRICES

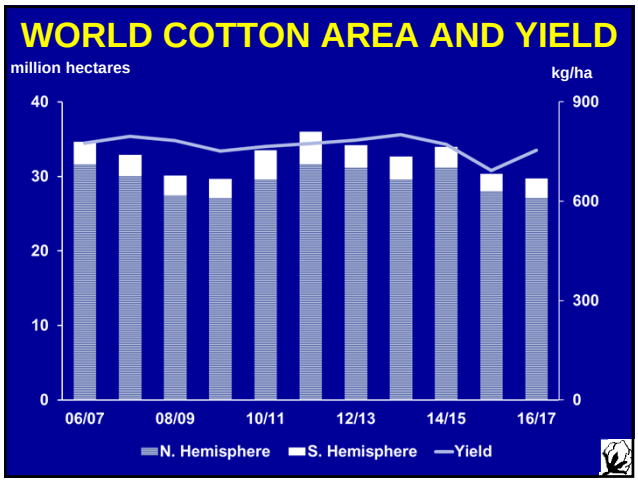
Source: Cotton Outlook

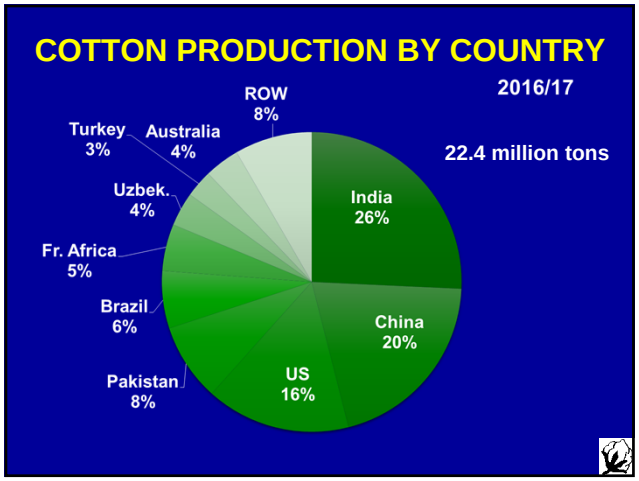
WORLD PRODUCTION & MILL USE

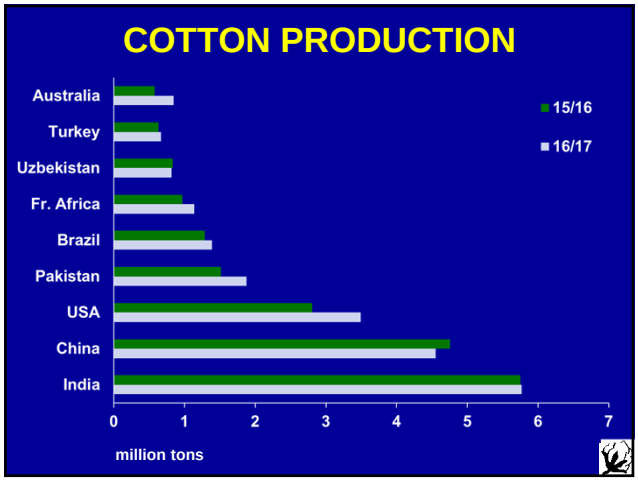


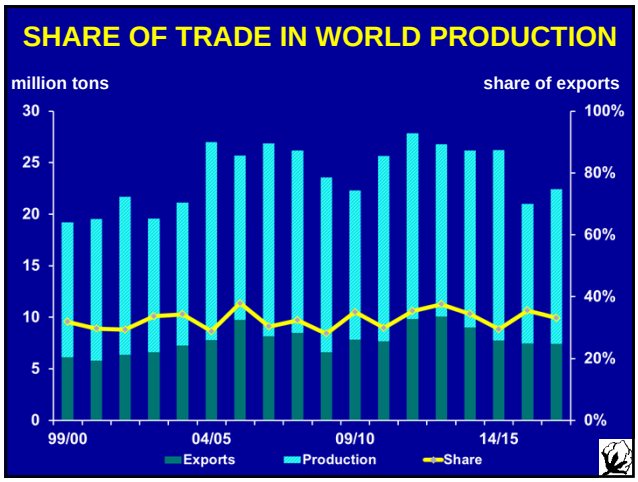
Accumulated surplus through 2014/15: 13.8 million tons
Stock reduction in 2015/16 and 2016/17: 4.1 million tons

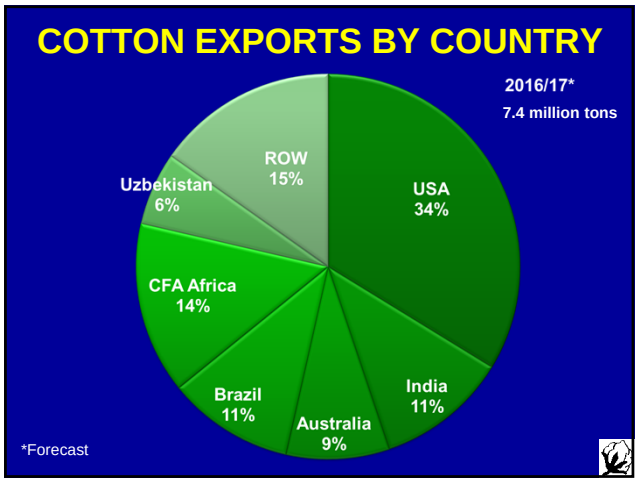

WORLD PRODUCTION
(million tons)
28
24
20
16
12
80/81
90/91
00/01
10/11

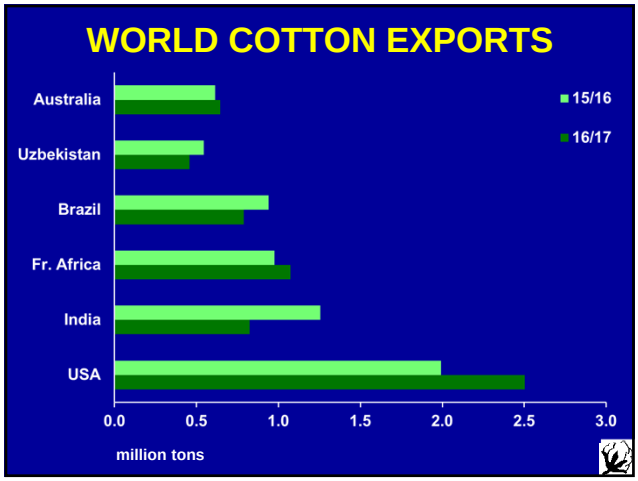

WORLD COTTON AREA AND YIELD
million hectares
kg/ha
40
30
20
10
0
900
600
300
0
06/07
08/09
10/11
12/13
14/15
16/17
N. Hemisphere
S. Hemisphere
Yield

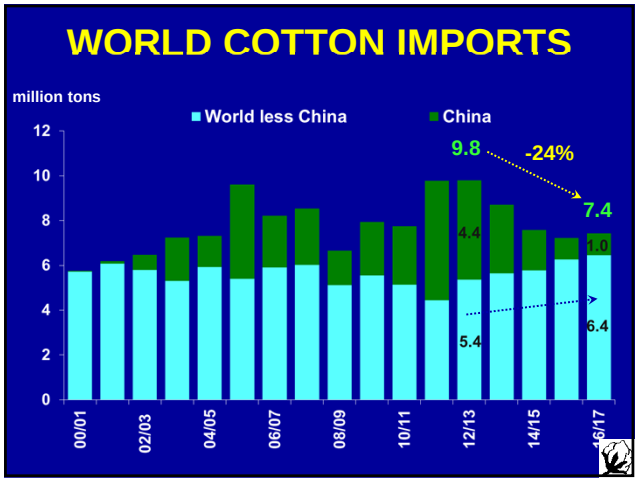

COTTON PRODUCTION BY COUNTRY
2016/17
22.4 million tons
ROW 8%
Turkey 3%
Australia 4%
Uzbek. 4%
Fr. Africa 5%
Brazil 6%
Pakistan 8%
US 16%
China 20%
India 26%

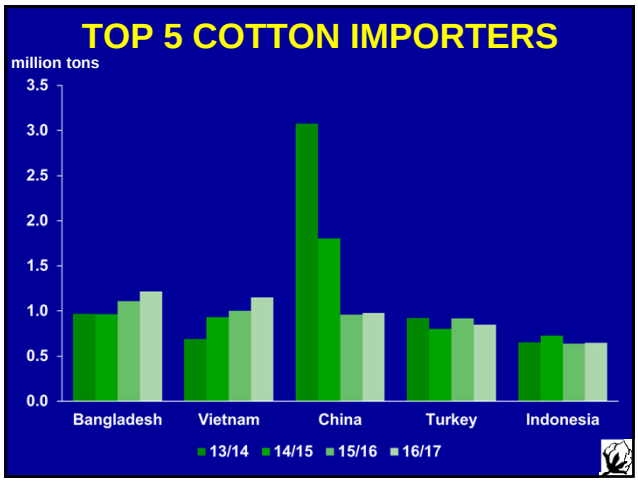

COTTON PRODUCTION
Australia
Turkey
Uzbekistan
Fr. Africa
Brazil
Pakistan
USA
China
India
15/16
16/17
0
1
2
3
4
5
6
7
million tons

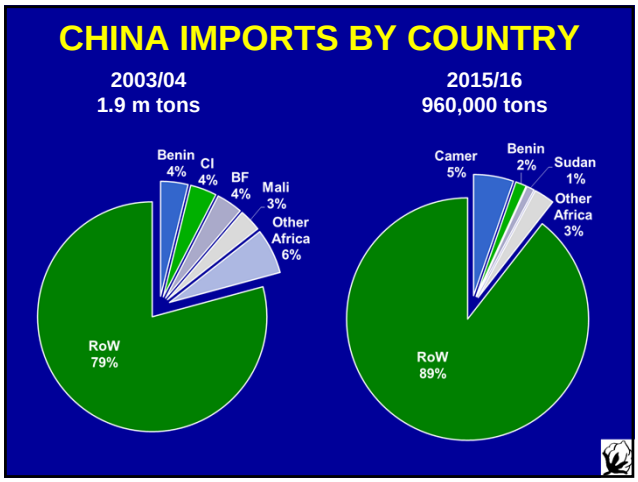

SHARE OF TRADE IN WORLD PRODUCTION
million tons
share of exports
30
25
20
15
10
5
0
100%
80%
60%
40%
20%
0%
99/00
04/05
09/10
14/15
Exports
Production
Share

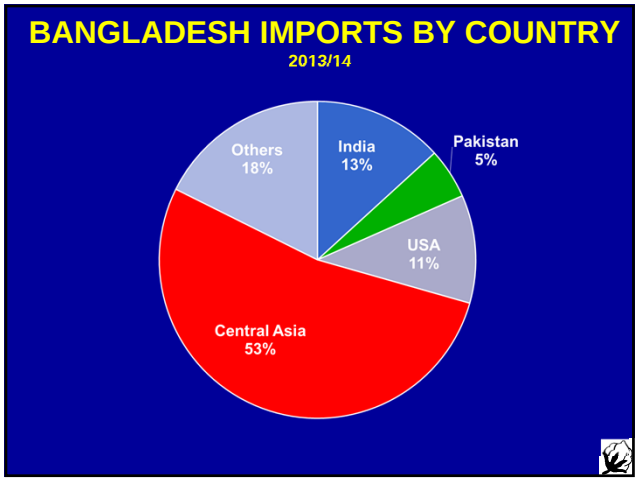

COTTON EXPORTS BY COUNTRY
2016/17*
7.4 million tons
ROW
15%
Uzbekistan
6%
USA
34%
CFA Africa
14%
Brazil
11%
Australia
9%
India
11%
*Forecast

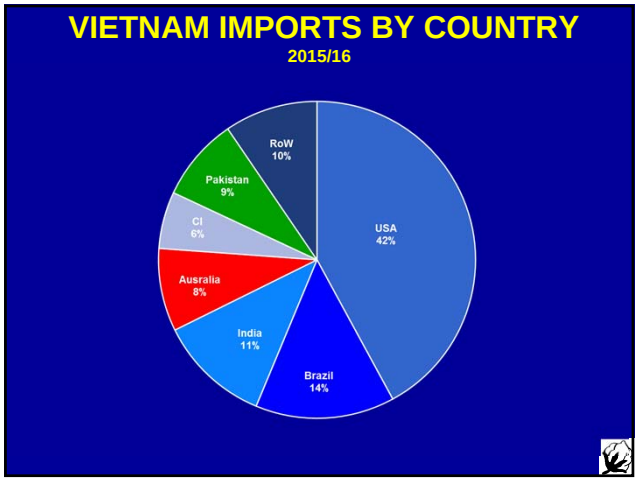

WORLD COTTON EXPORTS
Australia
Uzbekistan
Brazil
Fr. Africa
India
USA
15/16
16/17
0.0
0.5
1.0
1.5
2.0
2.5
3.0
million tons

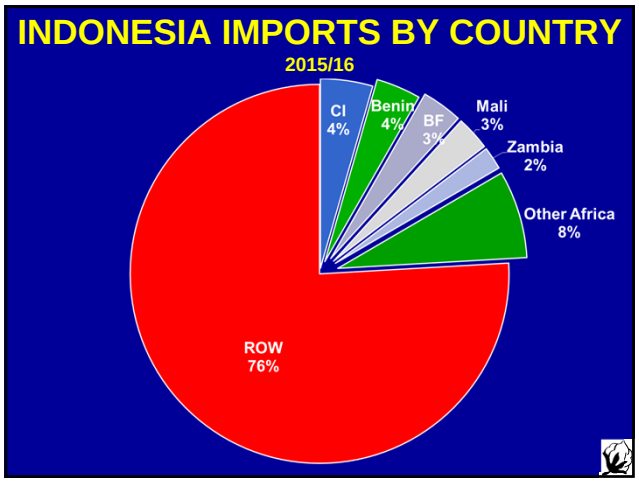

WORLD COTTON IMPORTS
million tons
World less China
China
12
10
8
6
4
2
0
9.8
-24%
7.4
4.4
1.0
5.4
6.4
00/01
02/03
04/05
06/07
08/09
10/11
12/13
14/15
16/17

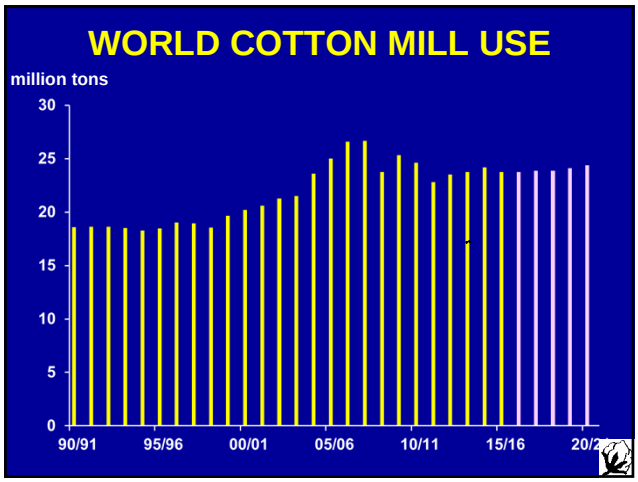

TOP 5 COTTON IMPORTERS
million tons
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Bangladesh
Vietnam
China
Turkey
Indonesia
13/14
14/15
15/16
16/17

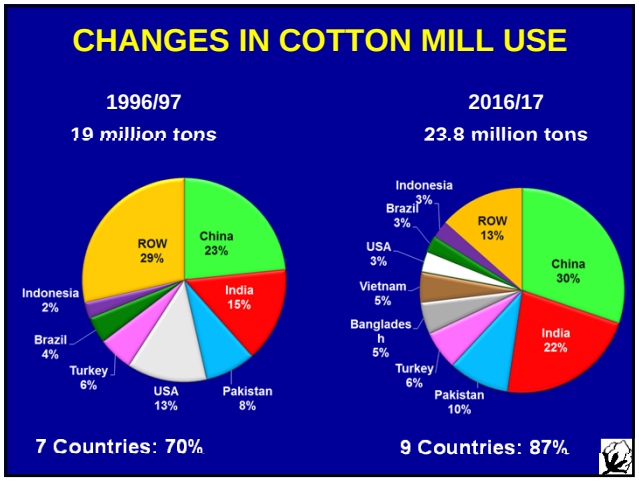

CHINA IMPORTS BY COUNTRY
2003/04
1.9 m tons
Benin 4%
CI 4%
BF 4%
Mali 3%
Other Africa 6%
RoW 79%
2015/16
960,000 tons
Camer 5%
Benin 2%
Sudan 1%
Other Africa 3%
RoW 89%

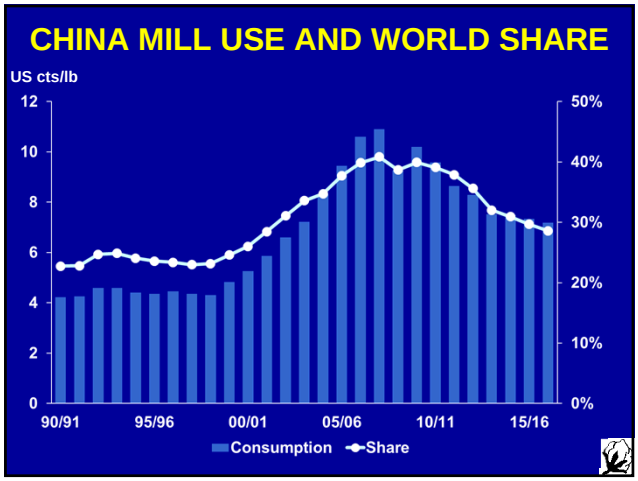

BANGLADESH IMPORTS BY COUNTRY
2013/14
Others 18%
India 13%
Pakistan 5%
USA 11%
Central Asia 53%


VIETNAM IMPORTS BY COUNTRY
2015/16
RoW 10%
Pakistan 9%
CI 6%
Ausralia 8%
India 11%
Brazil 14%
USA 42%

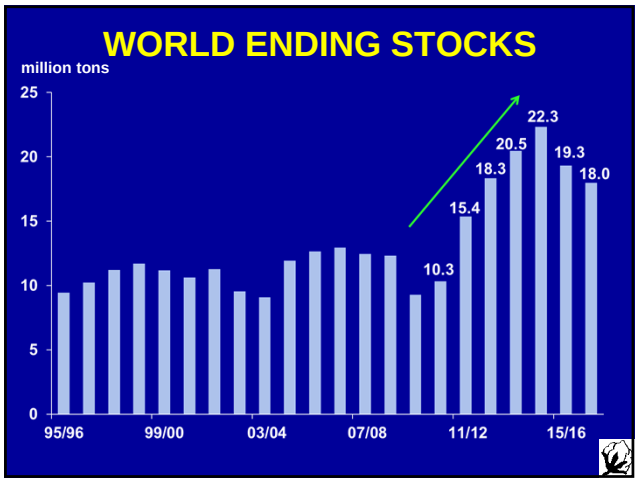

INDONESIA IMPORTS BY COUNTRY
2015/16
CI 4%
Benin 4%
BF 3%
Mali 3%
Zambia 2%
Other Africa 8%
ROW 76%

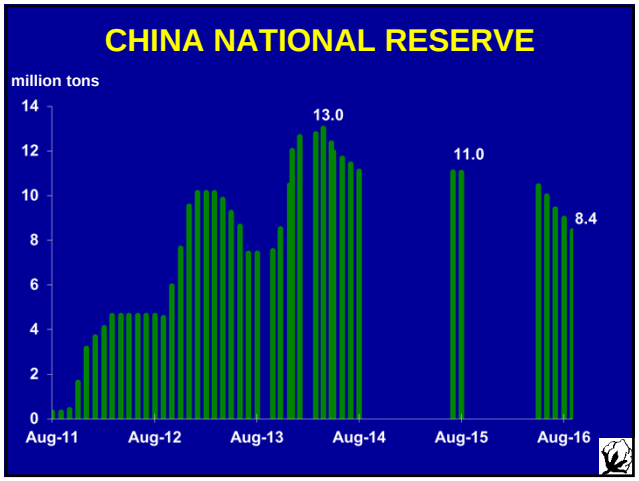

WORLD COTTON MILL USE
million tons
30
25
20
15
10
5
0
90/91
95/96
00/01
05/06
10/11
15/16

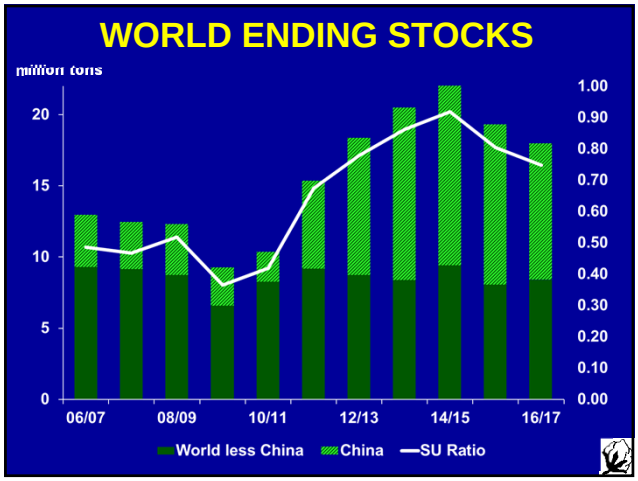

CHANGES IN COTTON MILL USE
1996/97
19 million tons
ROW 29%
China 23%
India 15%
Pakistan 8%
USA 13%
Turkey 6%
Brazil 4%
Indonesia 2%
7 Countries: 70%
2016/17
23.8 million tons
Indonesia 3%
Brazil 3%
USA 3%
Vietnam 5%
Banglades h 5%
Turkey 6%
Pakistan 10%
India 22%
China 30%
ROW 13%
9 Countries: 87%


CHINA MILL USE AND WORLD SHARE
US cts/lb
12
10
8
6
4
2
0
50%
40%
30%
20%
10%
0%
90/91
95/96
00/01
05/06
10/11
15/16
Consumption
Share


COTTON MILL USE
Bangladesh
Vietnam
Turkey
Pakistan
India
China
14/15
15/16
16/17
0
1
2
3
4
5
6
7
8
million tons


WORLD ENDING STOCKS
million tons
25
20
15
10
5
0
10.3
15.4
18.3
20.5
22.3
19.3
18.0
95/96
99/00
03/04
07/08
11/12
15/16

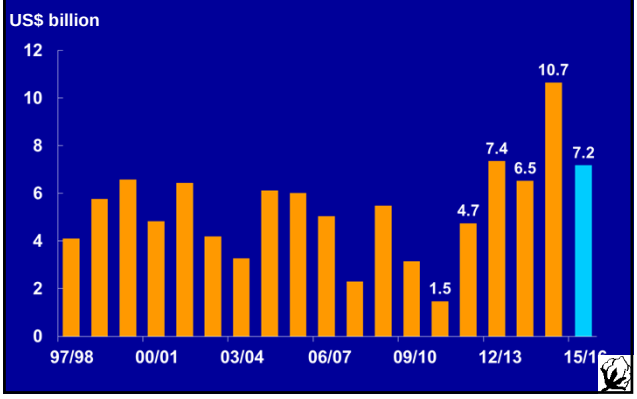

CHINA NATIONAL RESERVE
million tons
14
12
10
8
6
4
2
0
13.0
11.0
8.4
Aug-11
Aug-12
Aug-13
Aug-14
Aug-15
Aug-16


WORLD ENDING STOCKS
million tons
20
15
10
5
0
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
06/07
08/09
10/11
12/13
14/15
16/17
World less China
China
SU Ratio

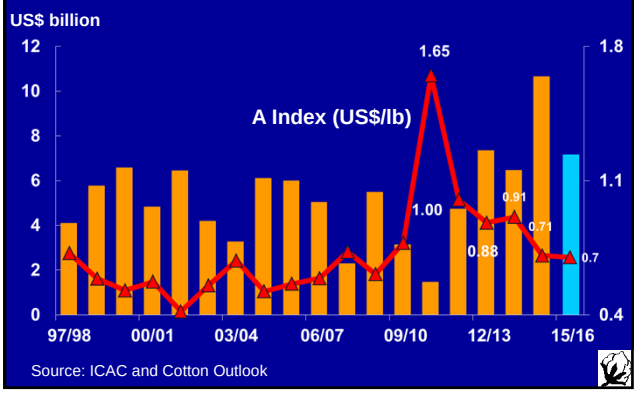
DIRECT ASSISTANCE TO COTTON

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

DIRECT ASSISTANCE TO COTTON

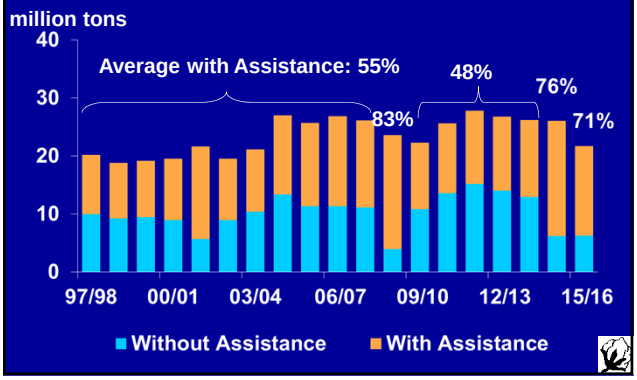


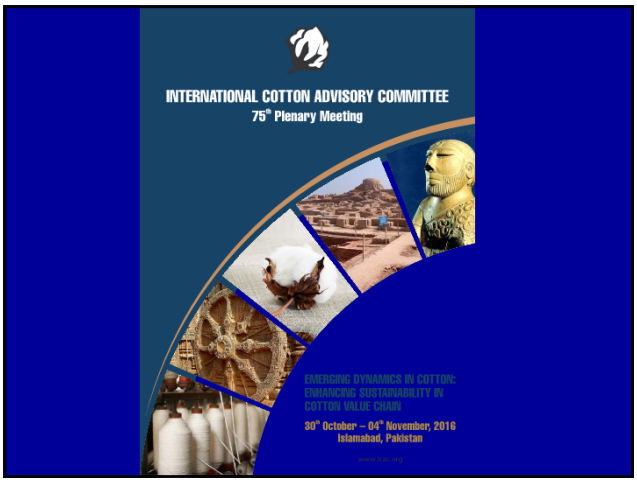
DIRECT ASSISTANCE TO COTTON AND PRICES



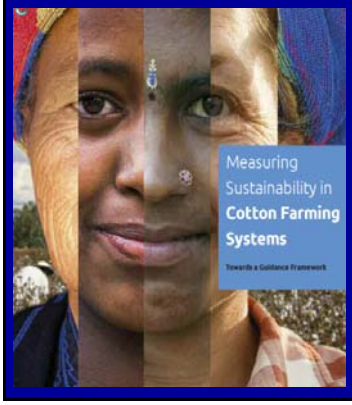
Source: ICAC and Cotton Outlook

WORLD PRODUCTION UNDER DIRECT ASSISTANCE



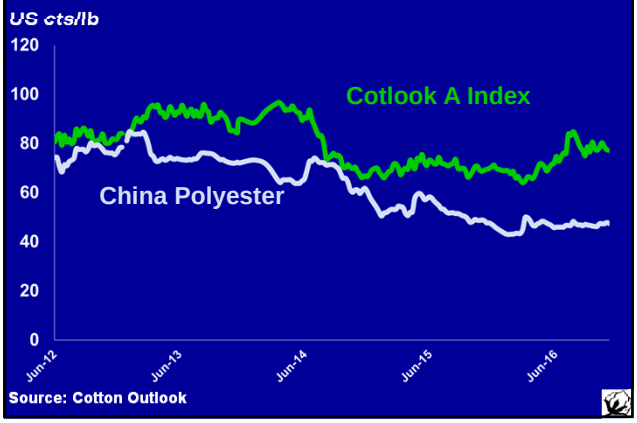


SUSTAINABILITY



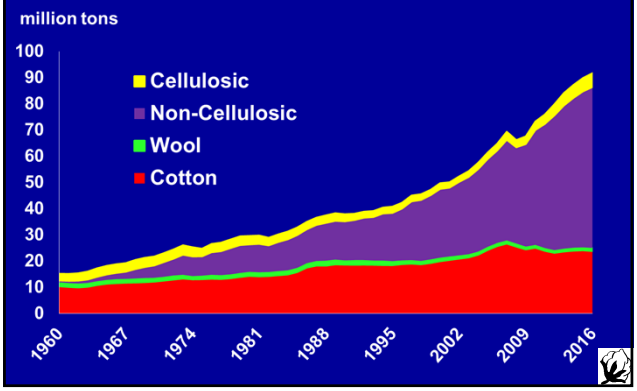
- The Indicator framework recommended by the Expert Panel on the Social, Environmental and Economic Performance of Cotton (SEEP) provides a common language to measure sustainability in cotton production all over the world.
- Field testing: Australia, Benin, Bolivia, Cameroon, Colombia, China, Paraguay, Peru, Senegal, Togo, US and Zambia.
- Nat'l workshops: Burkina Faso, Ivory Coast, Guinea, Mali and Niger
- 2017: "Lessons learned"

COTTON & POLYESTER PRICES

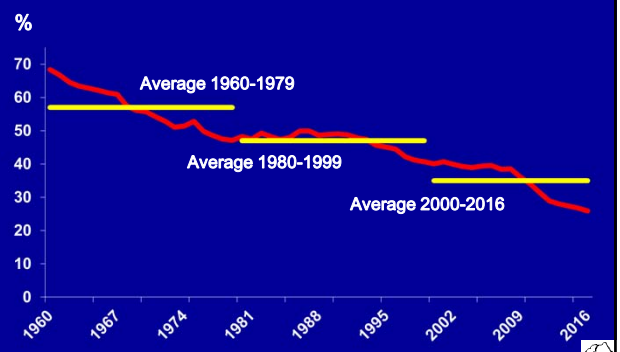


Source: Cotton Outlook

WORLD CONSUMPTION OF TEXTILE FIBERS



MARKET SHARE OF COTTON IN WORLD TEXTILE FIBER CONSUMPTION



FINAL STATEMENT – 1: Interfiber Competition

Competition from polyester is cotton's greatest competitive threat. …polyester had made considerable gains in the market for downstream products, such as yarn, filament, staple and apparel. This trend is due to cheaper polyester prices caused by current oil prices and underutilized industrial capacity in the polyester industry. The Committee approved a recommendation of the Private Sector Advisory Panel to broaden the terms of reference of the Secretariat's ongoing studies of the polyester market to include **government support measures that have stimulated overcapacity in the polyester industry.**

FINAL STATEMENT – 2: Reduce Trade "Friction"

Greater harmonization of phytosanitary measures affecting the international trade of cotton is required. The Committee received a report from the Private Sector Advisory Panel emphasizing the need for harmonization of phytosanitary regulations affecting the world trade of cotton. In particular, the PSAP noted that requirements for fumigation of cotton varied widely among countries and requested the Standing Committee to examine possible ways in which to reduce these differences during the coming year.

FINAL STATEMENT – 3: Work of the WTO

World Trade Organization supports reduction in export subsidies and domestic support for cotton. The Committee noted that the Nairobi Ministerial Conference of the World Trade Organization, held in December 2015, had adopted a decision on cotton prohibiting export subsidies and calling for a further reduction in domestic support… The Committee reaffirmed the importance of trade policy as a driver in the promotion of world economic growth and development, and voiced support for a multilateral trading system under the aegis of the WTO.

Thank you

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www.icac.org