“The Cotton-4 (C-4) countries in the context of the global cotton market: Situation and short- and medium-term outlook”

El Mamoun Amrouk
Senior Economist, Markets & Trade Division, FAO
Cotton production and HDI (2020)

✓ Cotton production is concentrated in low- and middle-income countries

✓ Cotton is a key driver of economic growth, providing employment and livelihoods and representing a major source of export earnings

✓ This shows the potential role of cotton in contributing to the achievement of the 2030 Agenda for Sustainable Development and the SDGs

International Cotton Trade flows

2000

- Australia
- China, mainland
- United States of America
- Pakistan
- Côte d’Ivoire
- Benin
- Argentina
- India
- Brazil
- Mali
- Uzbekistan

2020

- United States of America
- Latin America and the Caribbean
- Brazil
- India
- Australia
- Argentina
- Pakistan
- China, mainland
- Mali
- Uzbekistan
- Côte d’Ivoire
- Benin
- Tajikistan
- Chad
- Burkina Faso
- Africa
- Europe
The contribution of cotton exports has declined markedly in the past 20 years.

Declining prices and greater returns in other sectors strengthened the export of other products, i.e. gold and petroleum.

Cotton growing still represents a key livelihood activity for rural households and constitutes a source of income for individuals employed in the cotton-related industries.

Source: The Observatory of Economic Complexity (OEC) (2022).
International prices of cotton, 1960 – 2022

Historically, with the exception of 2010/11 and 2011/12, there has been no statistically significant upward or downward trend in nominal cotton prices.

In general, competing synthetic fibers and improvements in production efficiency pressured cotton prices.

In 2021 and 2022, cotton prices rose sharply mainly underpinned by improved world demand after the COVID-19 related contraction in 2020.

* 2022= January - October average

Cotton export prices in the C-4 countries and the world market

- Domestic cotton prices in the C-4 countries display a long-term relationship with movements in international cotton prices.
- Short-term shocks in the world market are not fully transmitted to the domestic cotton market in the C-4s.
- Price shocks in the world market have a direct effect on the decision of economic agents in the cotton value chain over time.

Perspectives of cotton production and exports in the C-4 countries

Over the next decade, cotton production in the C-4 countries is projected to increase mostly as a result of higher yields, on the back of government support measures and foreign direct investments.

Exports from C-4 countries are projected to increase in line with an expected increase in global demand for cotton, particularly from Southern and South-eastern Asia.

The way forward

Cotton remains one of the most important industries in the C-4 countries but actions are required to ensure the long-term viability of the sector:

✓ **Invest in the transformation of the sector** to promote compliance with sustainability standards at all levels of the value chain and strengthen resilience to risks.

✓ Achieve **sustainable productivity** gains along the various stages of the value chain through innovation, technology adoption and resource mobilization.

✓ **Empower women and youth** so they become fully part of the cotton value chain and contribute to the sustainable development of the sector.

✓ **Overcome the price-cost squeeze** that the textiles and manufacturers face to ensure the long-term viability of cotton as an industry and as a provider of livelihoods.

✓ Ensure that **trade reforms** address market distorting measures and provide increased market access to the Least Developed Countries (LDCs).