Food and Agriculture Organization of the United Nations

SUSTAINABL DEVELOPMENT GOALS

# WTO | 18th Dedicated Discussion of the Relevant Trade-Related Developments on Market Access, Domestic Support and Export Competition in Relation to Cotton

## 9 November 2022

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

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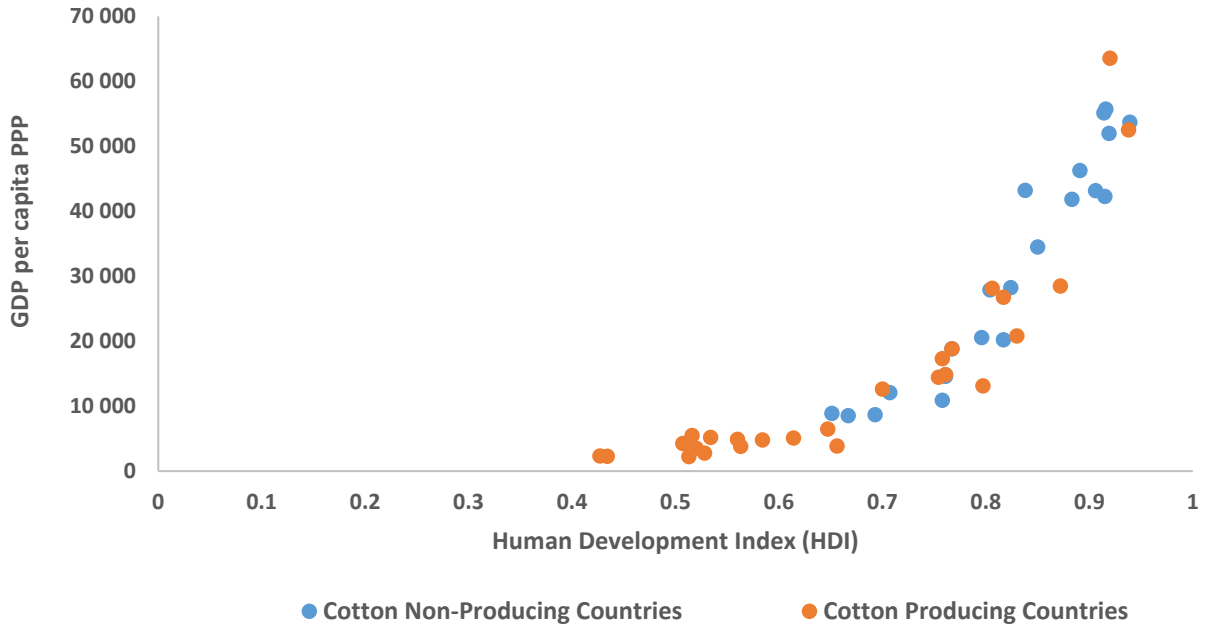
# Cotton production and HDI (2020)

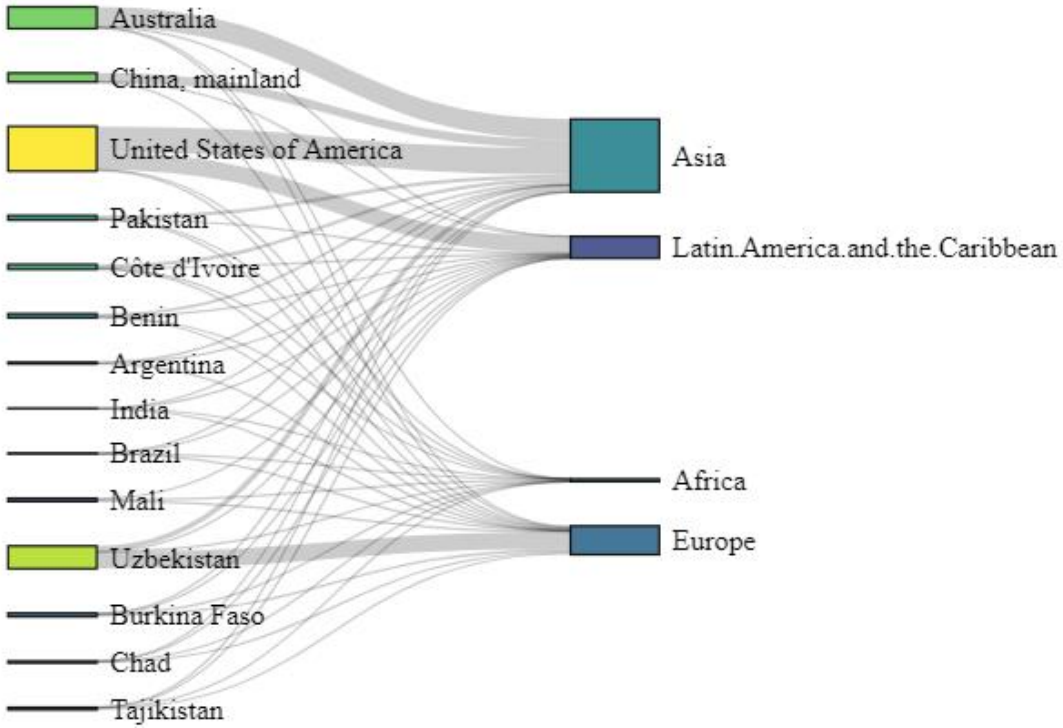



*Source: FAO/EST (2022).*

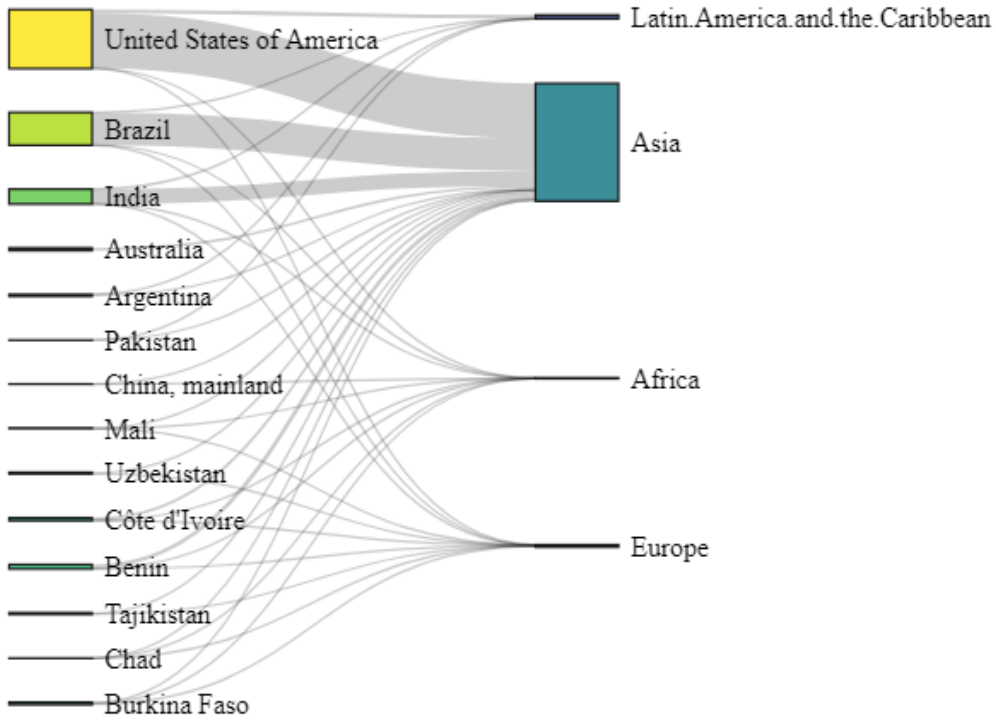
- ✓ Cotton production is concentrated in low- and middle-income countries
- ✓ Cotton is a key driver of economic growth, providing employment and livelihoods and representing a major source of export earnings
- ✓ This shows the potential role of cotton in contributing to the achievement of the 2030 Agenda for Sustainable Development and the SDGs

# International Cotton Trade flows

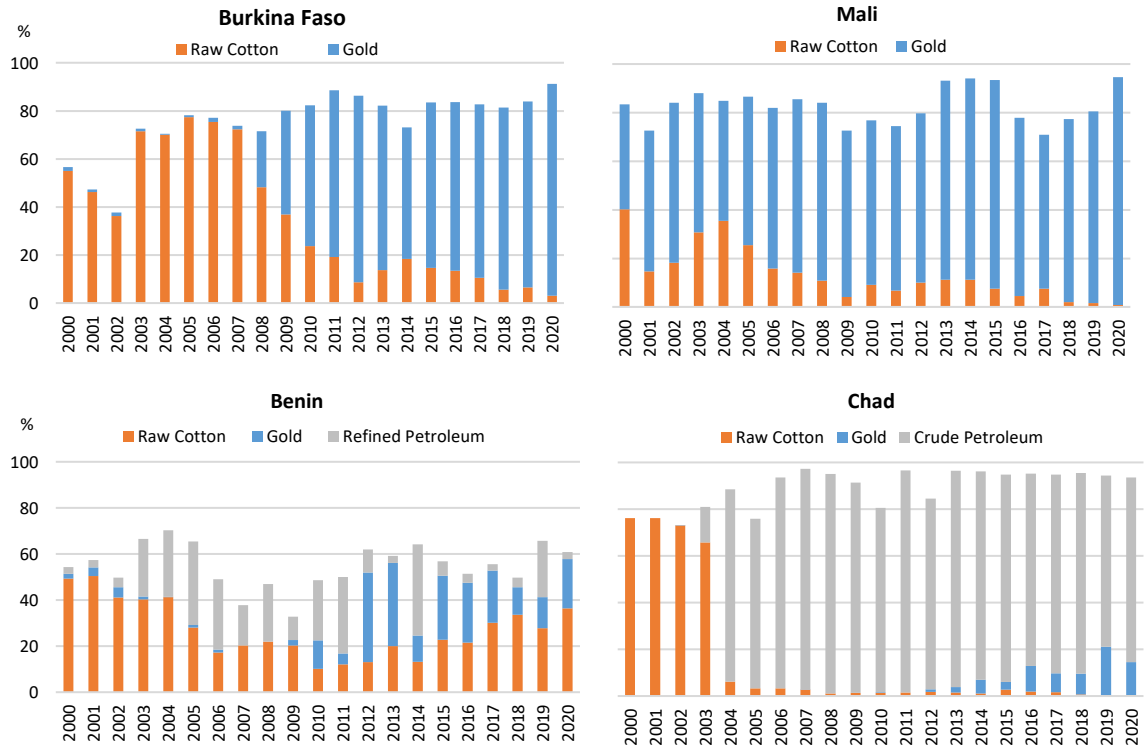
## 2000




## 2020



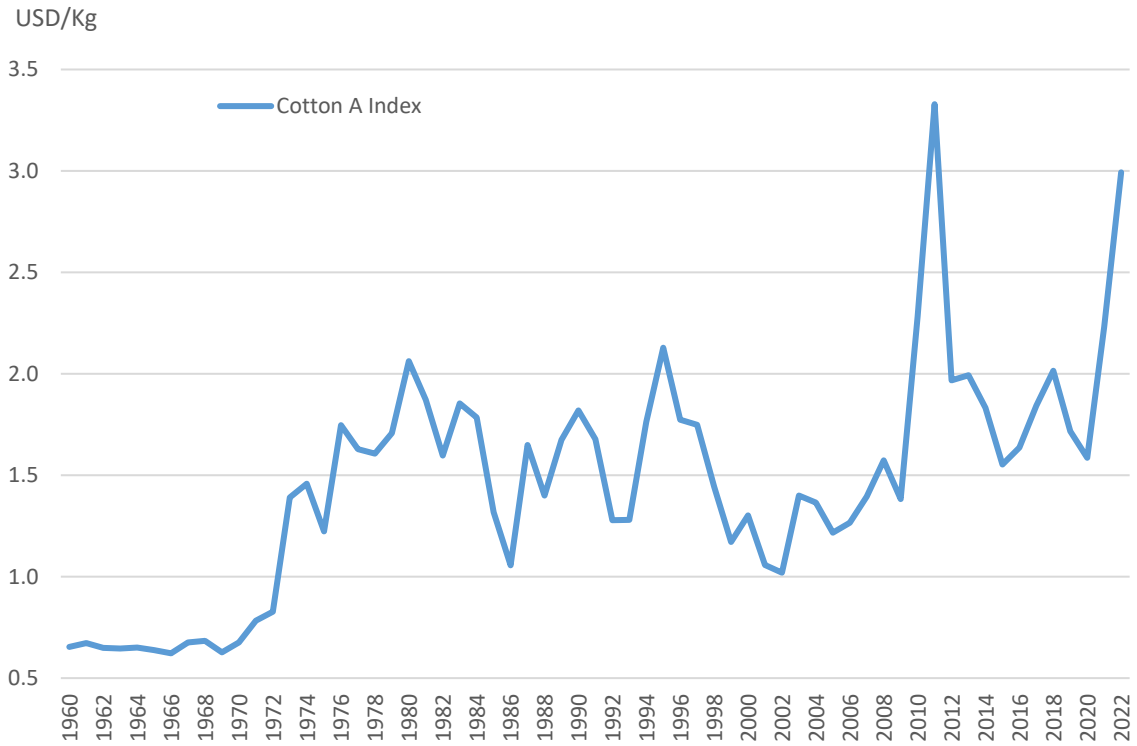
# Contribution of cotton to total export revenues against other sectors in the C-4s




- ✓ 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*

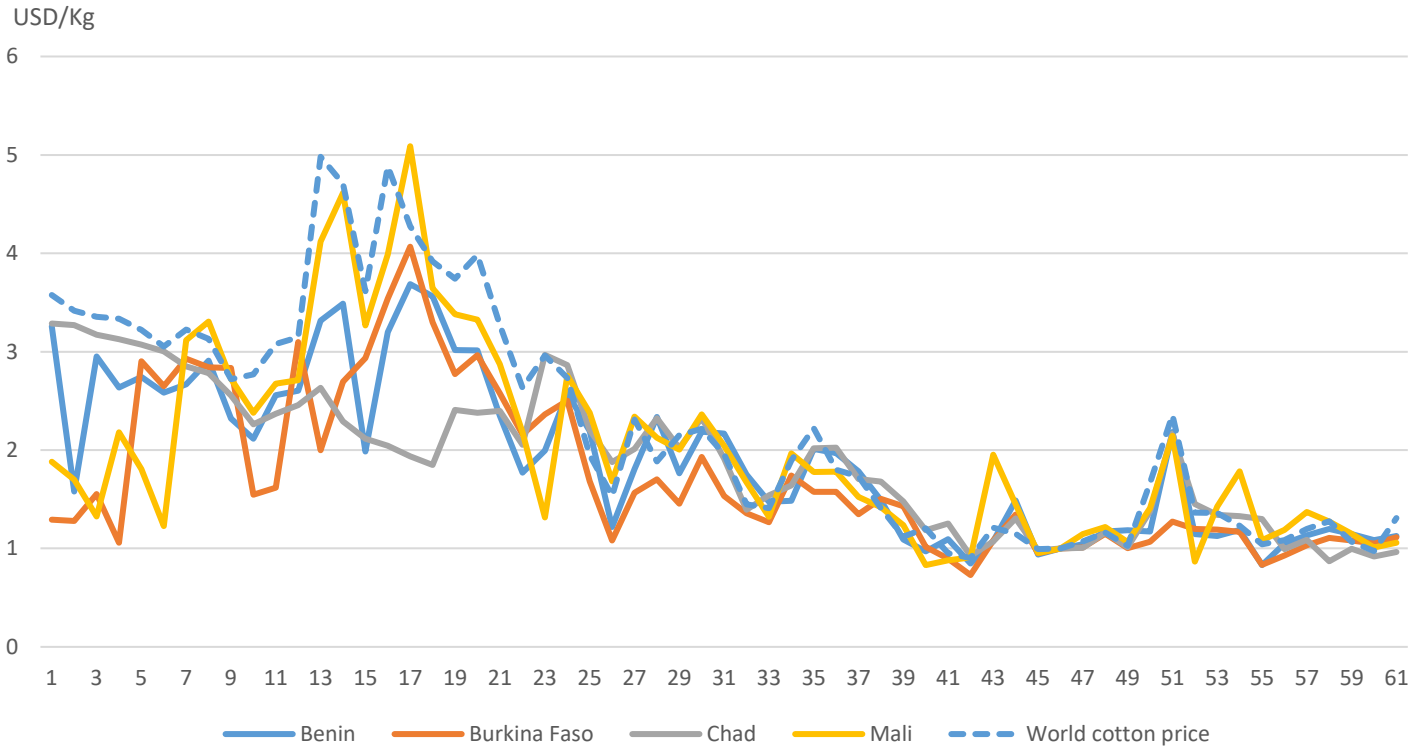



* 2022= January - October average

*Source: World Bank (2022).*

- ✓ Historically, with the exception of 2010/11 and 2011/12, there has no been 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

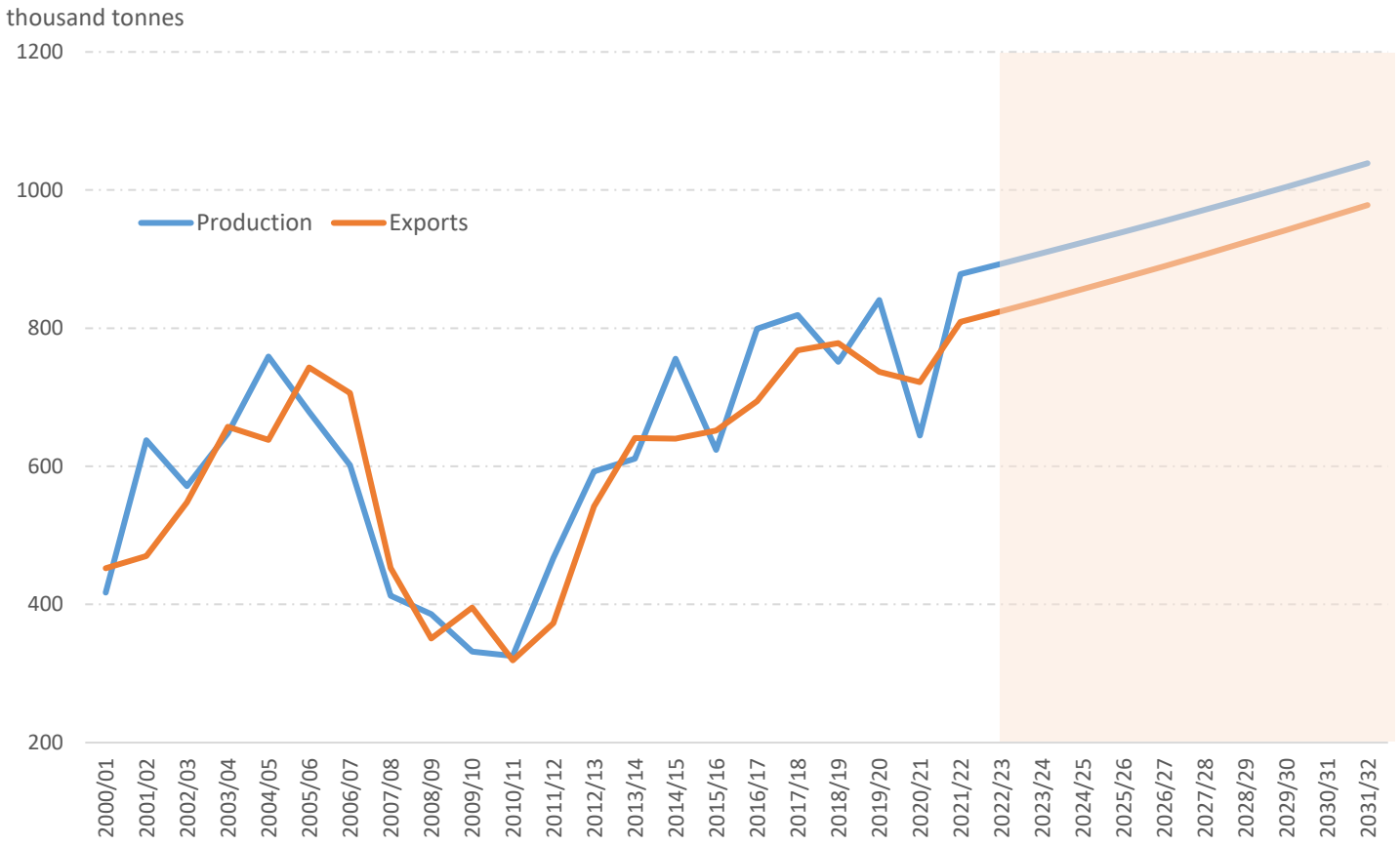
# Cotton export prices in the C-4 countries and the world market




*Source: FAO/EST (2022).*

- ✓ 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




*Source: FAO/EST based on OECD-FAO Agricultural Outlook, 2022.*

- ✓ 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).