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Record Cotton Prices & Effects on Textile Supply Chains



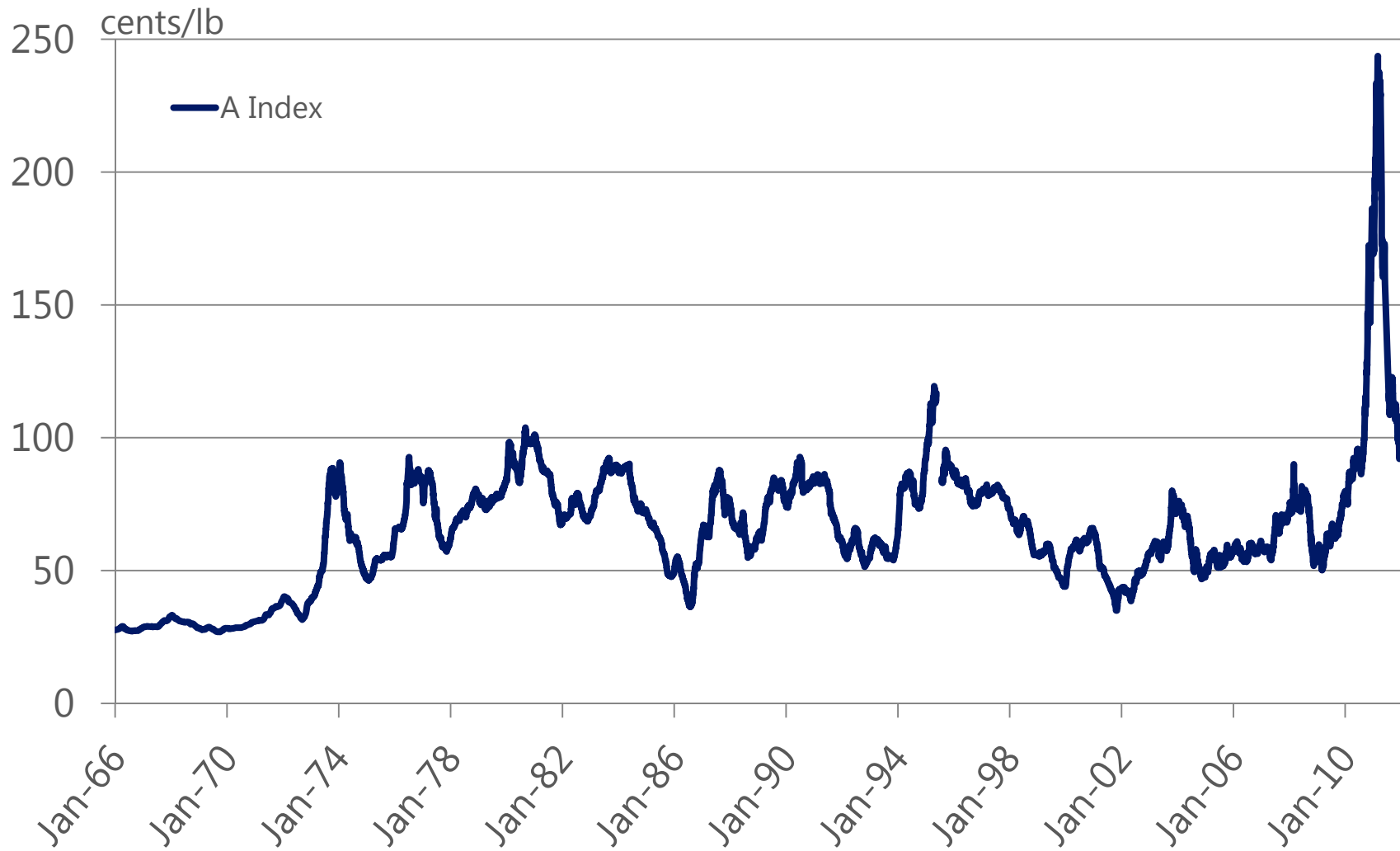
2012 USDA Outlook Forum

Jon Devine

Cotton Incorporated



Record Prices



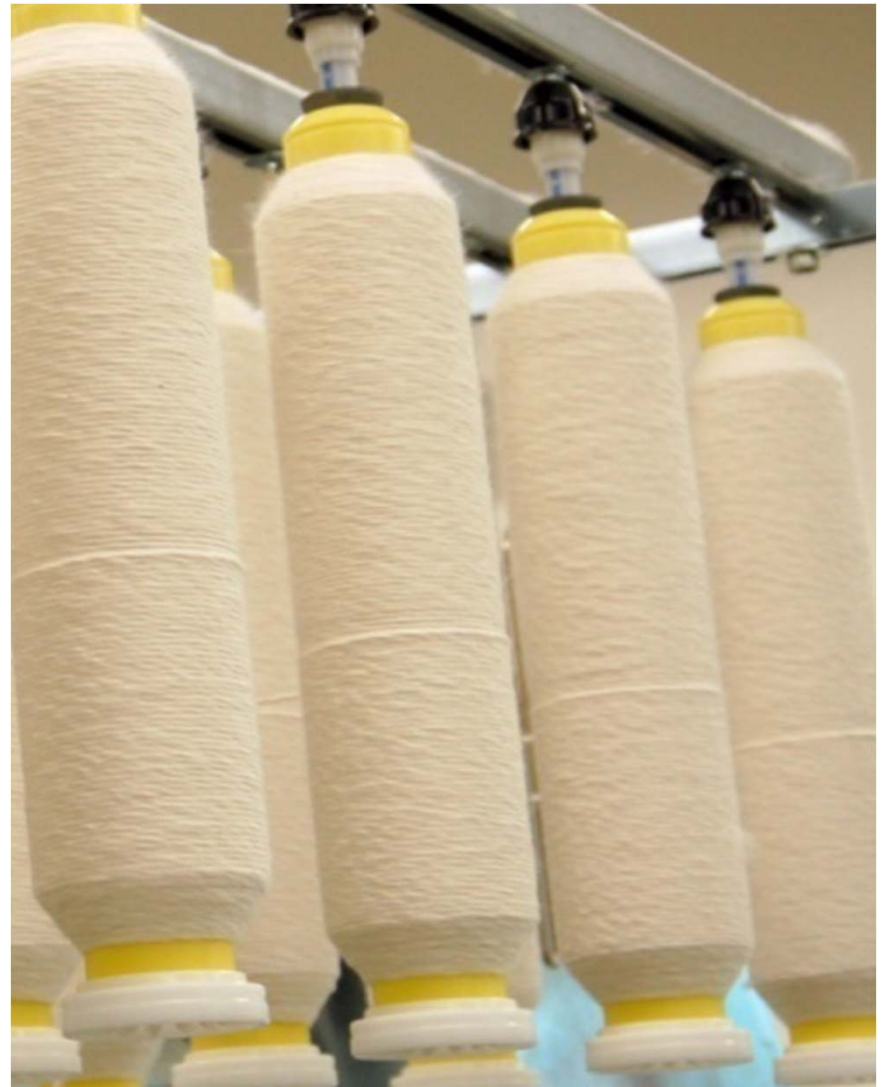
Source: Cotlook



Cotton Prices & Textile Supply Chains

What have been the consequences of prices?

- When did changes occur downstream?
- How large were the price increases?
- What have been the effects on demand?



Tracking the Textile Supply Chain

Fiber



Yarn



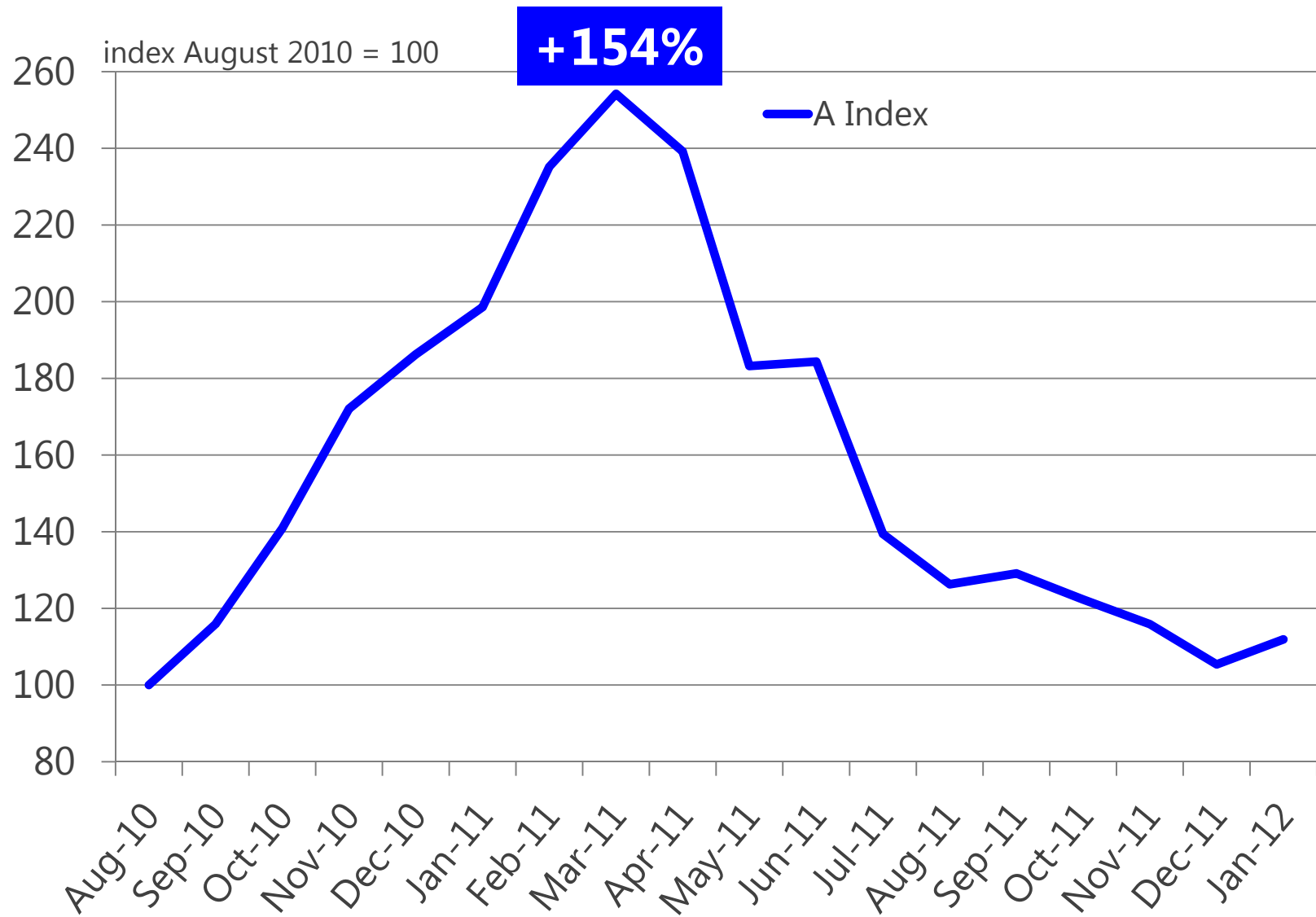
Garment



Retail



Indexed Price Movement



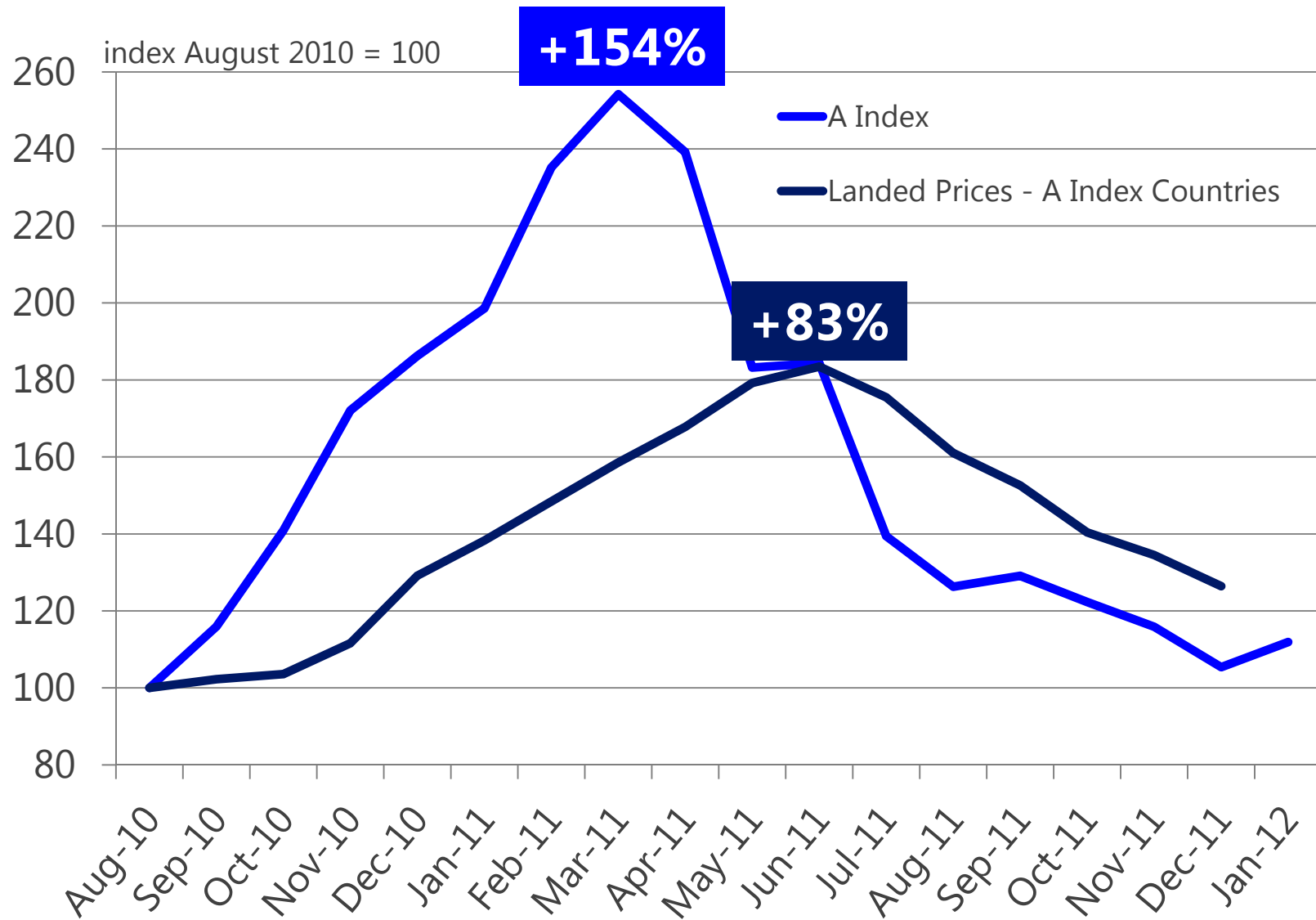
A Index Prices for Future Delivery

Cotlook A Index

2010/2011	243.65	0.40	
Composition (all 1-3/32")	Price	Change	Shpt
MOT Midd	238.50	1.00	4/5
Memphis/Eastern Midd	241.00	Unch	4/5
Benin BELA	245.00	Unch	5/6
Mali ROKY/KATI	245.50	Unch	5/6
Australian Midd	248.25	1.00	7/8
Burkina Faso RUDY	246.50	Unch	5/6
Uzbekistan Midd	256.50	1.00	3/4
Central Asian Midd#	236.00	1.00	3/4
California/Arizona Midd	NQ		
Ivory Coast BEMA	NQ		
Indian H4/MECH-1/Bunny	NQ		
Greek Midd	NQ		
Tanzanian SG1	NQ		
Syrian Midd	NQ		
Pakistan Type 1503	NQ		
Mexican Midd	NQ		
Chinese 328	NQ		
Turkish SE Std. 1	NQ		
Brazilian Midd	NQ		
Paraguayan Midd	NQ		

A Index quotes for delivery in several months

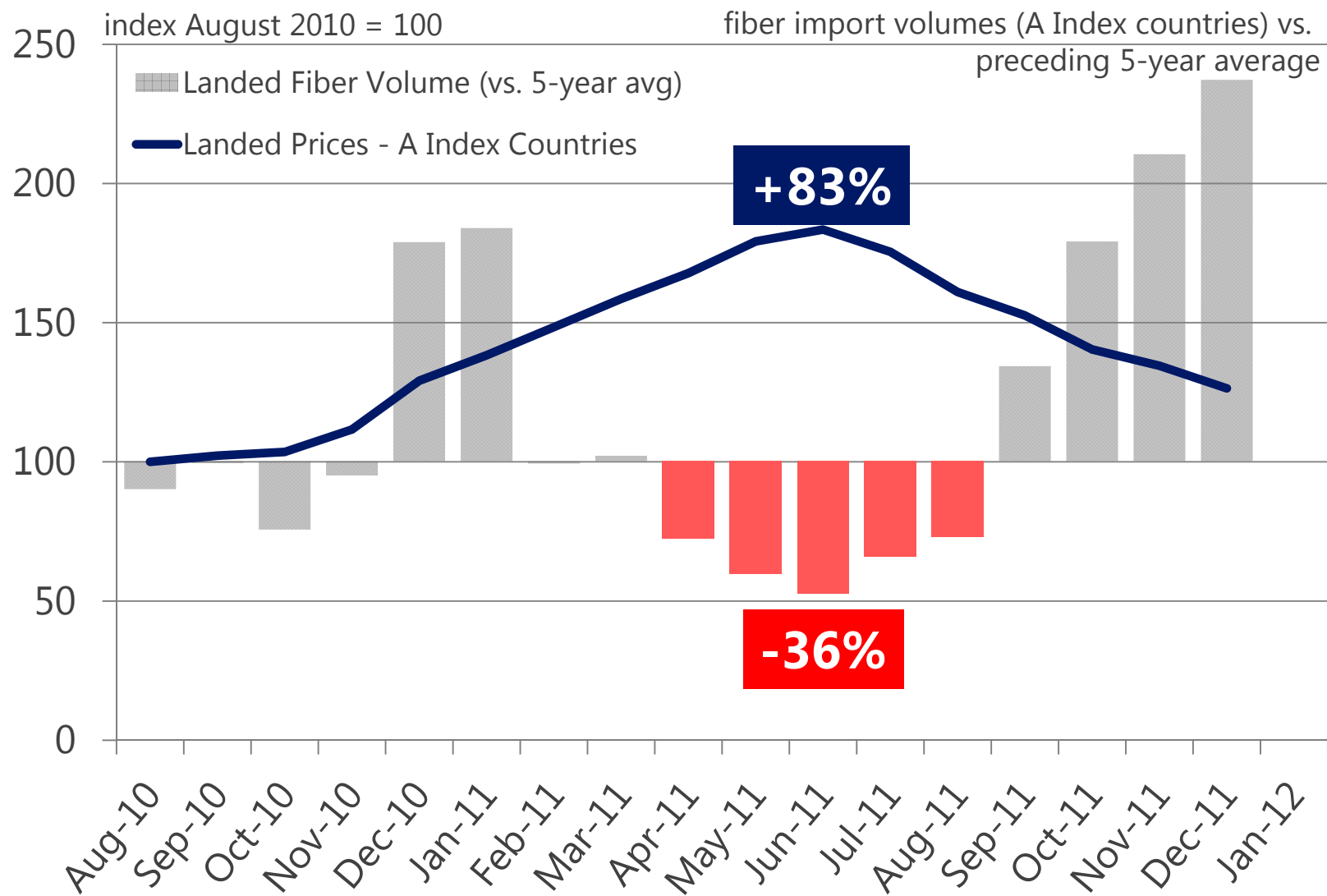
Indexed Price Movement



Sources: Cotlook, Global Trade Atlas
 Notes: Landed fiber for A Index countries



Price Movement & Demand Response: Fiber

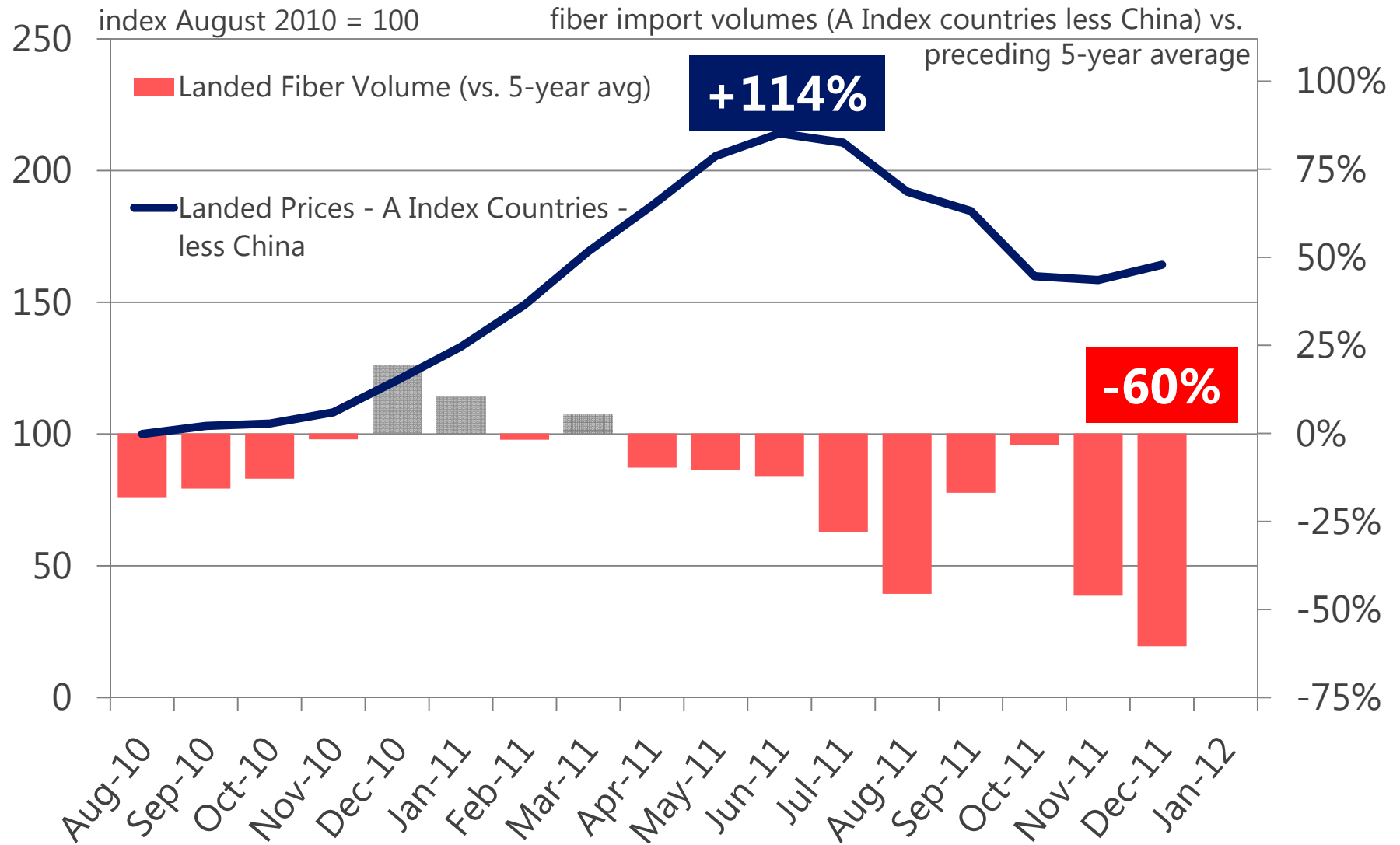


Sources: Cotlook, Global Trade Atlas

Notes: Landed fiber for A Index countries



Price Movement & Demand Response: Fiber



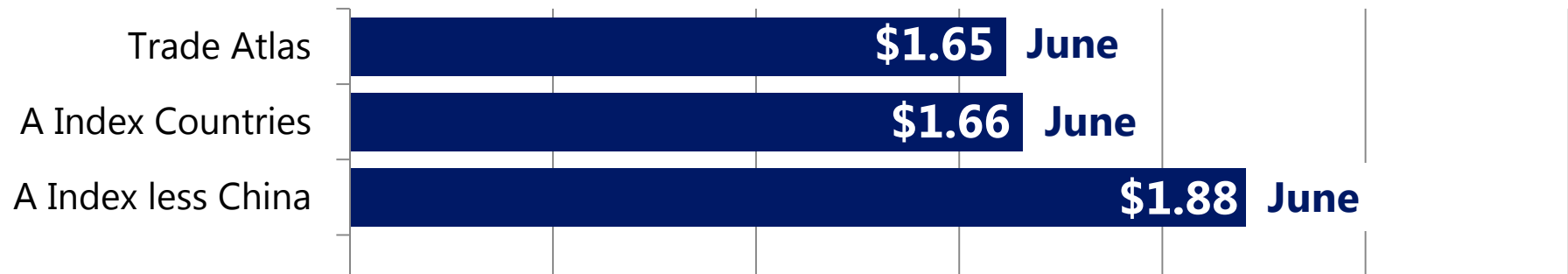
Sources: Cotlook, Global Trade Atlas

Notes: Landed fiber for A Index countries less China



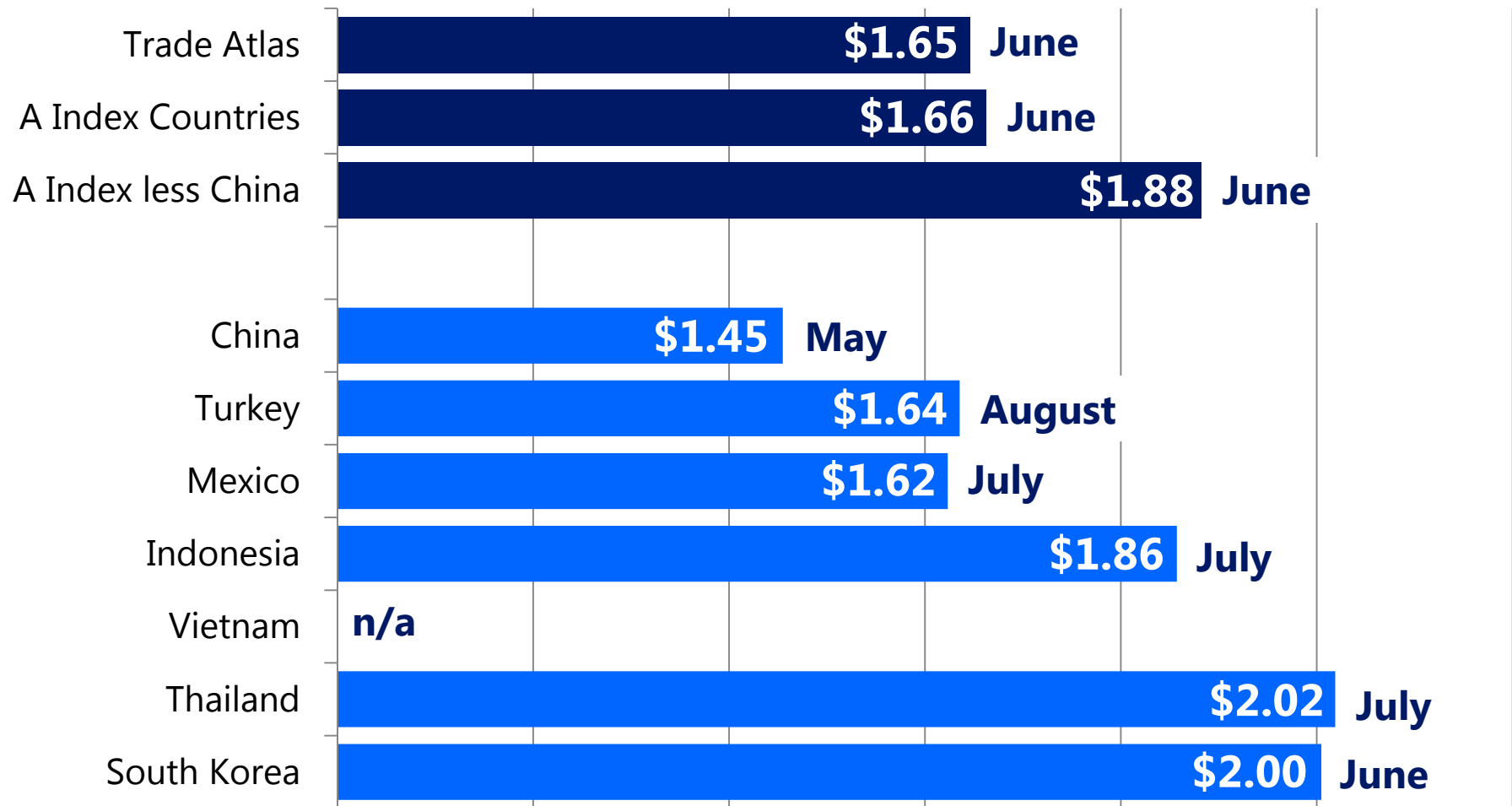
Pain Greater Outside of China

Month & Value of Maximum Average Landed Cost



Pain Greater Outside of China

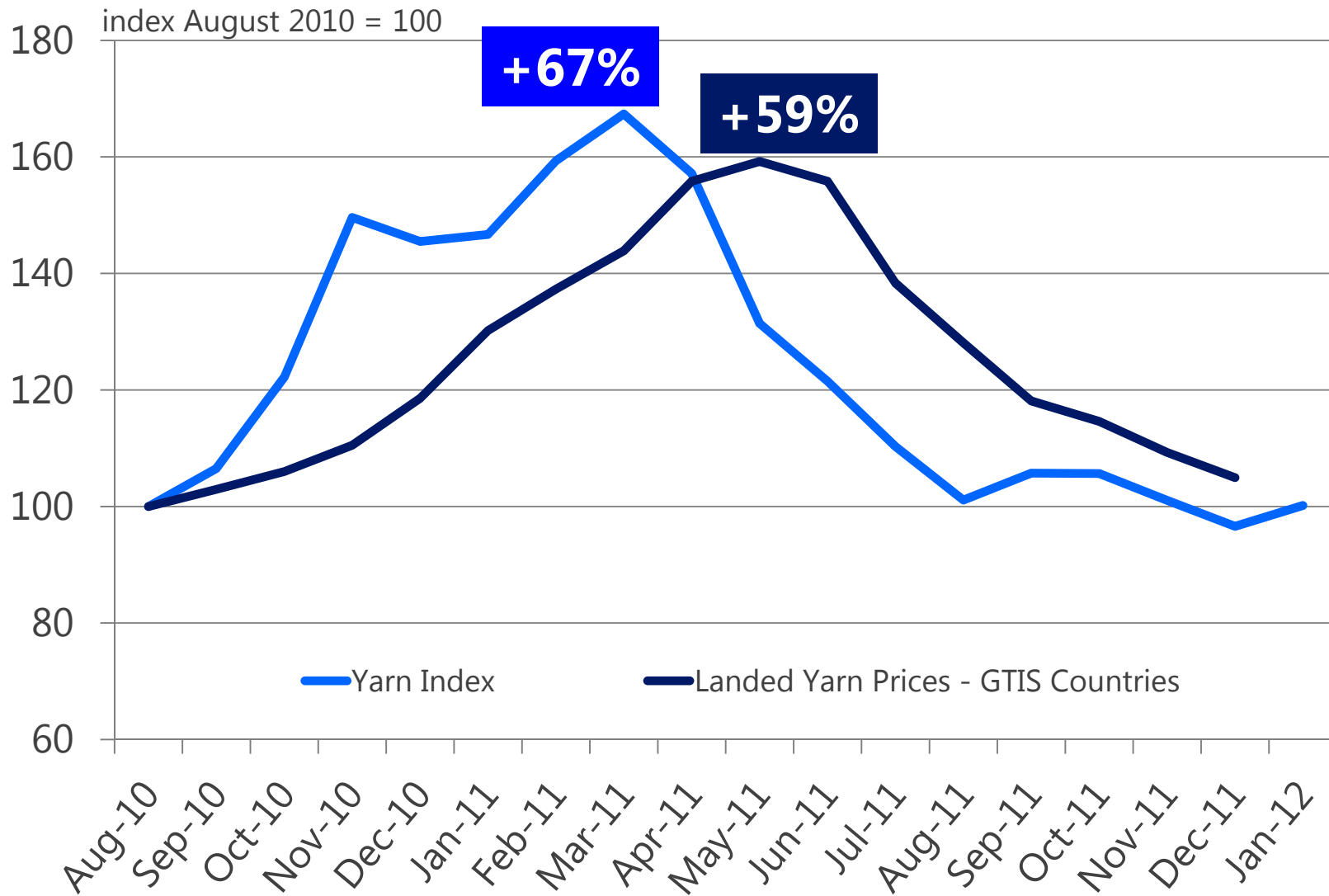
Month & Value of Maximum Average Landed Cost



Source: Global Trade Atlas

Note: Data are for maximum monthly averages and are not weighted by volume.

Price Movement & Demand Response: Yarn

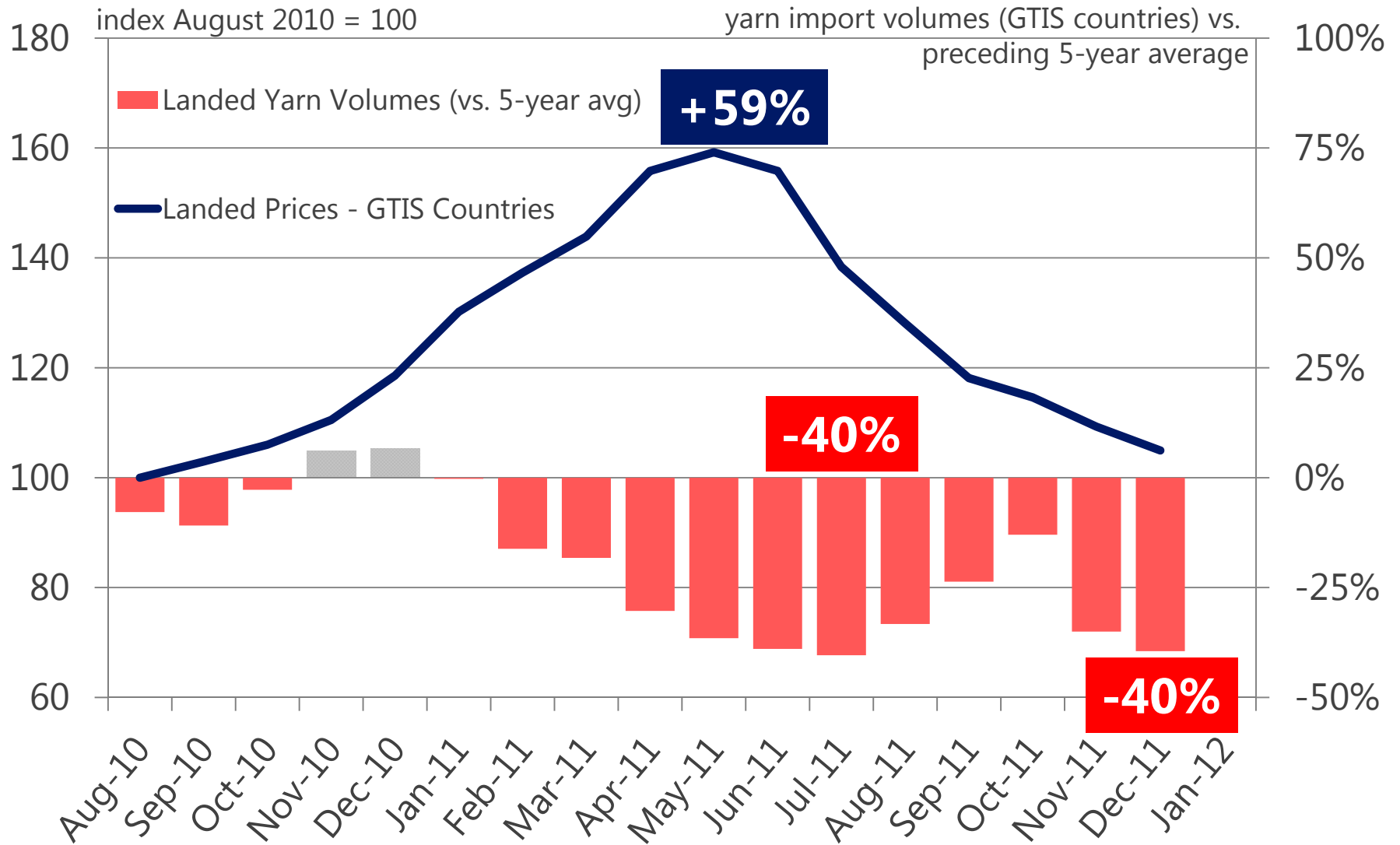


Sources: Cotlook, Global Trade Atlas

Notes: Average landed yarn prices for all countries in the GTIS dataset. Import volumes for entire GTIS dataset.



Price Movement & Demand Response: Yarn

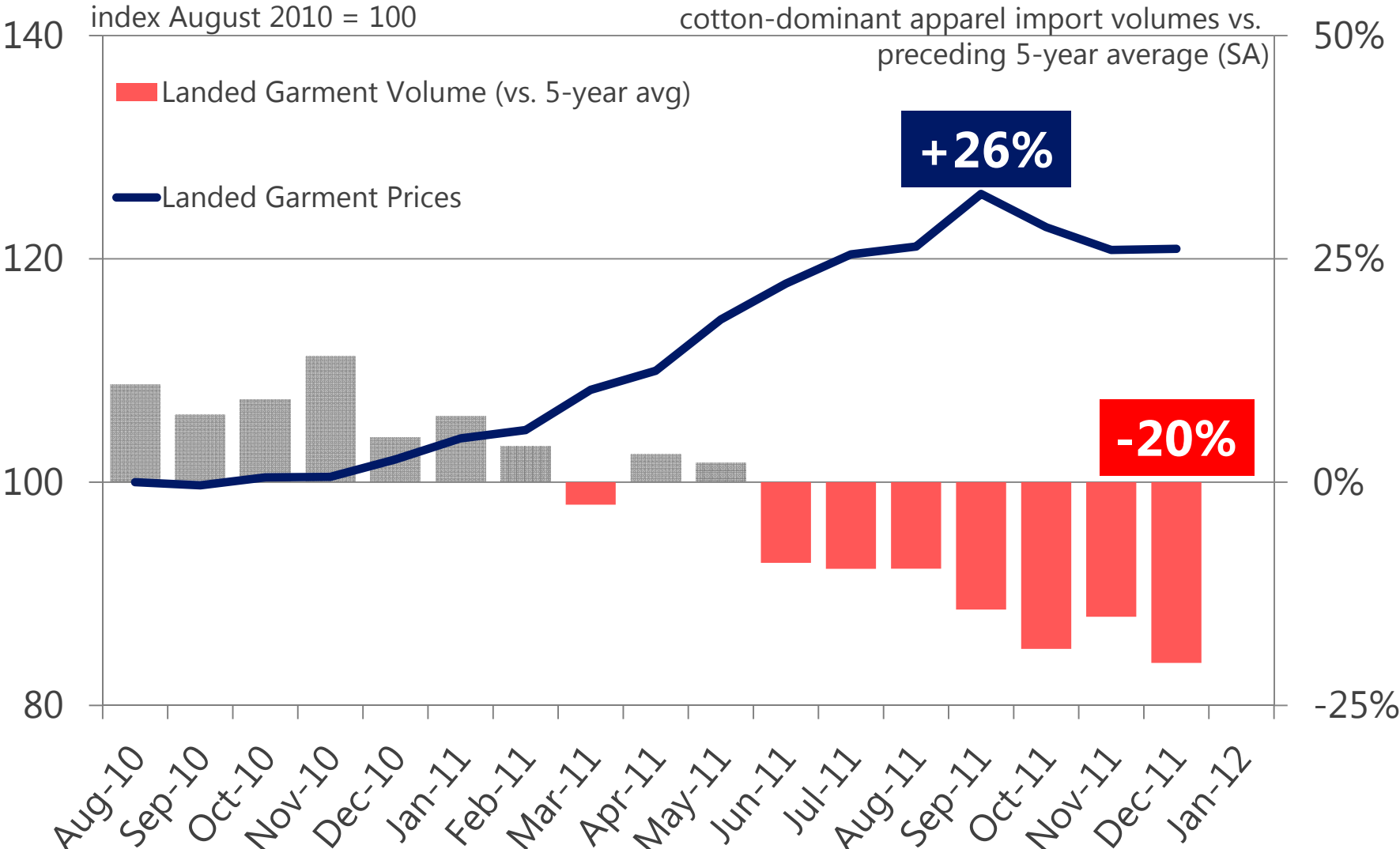


Sources: Cotlook, Global Trade Atlas

Notes: Average landed yarn prices for all countries in the GTIS dataset. Import volumes for entire GTIS dataset.



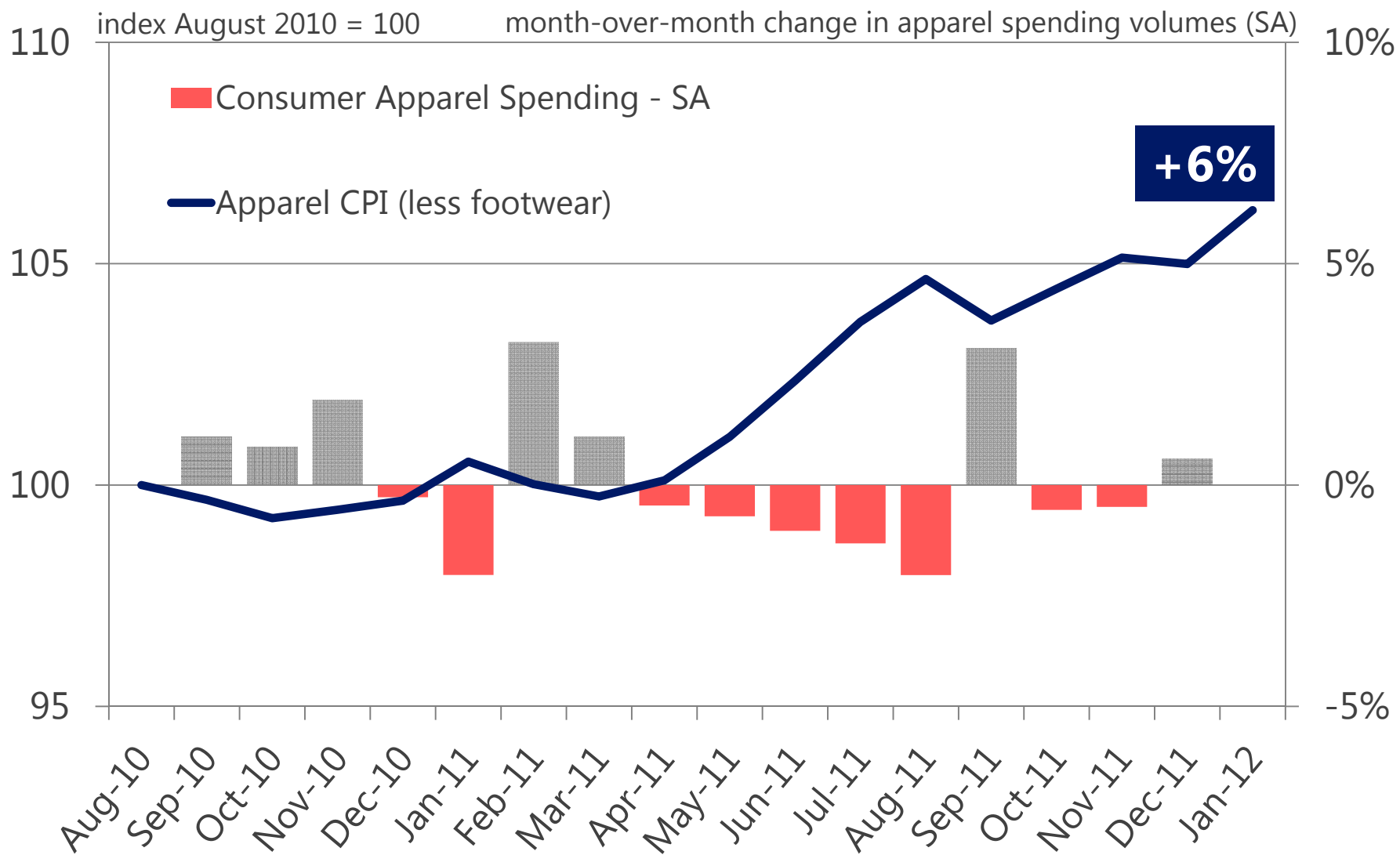
Price Movement & Demand Response: Garments



Source: OTEXA
 Notes: Data seasonally-adjusted



Price Movement & Demand Response: Retail

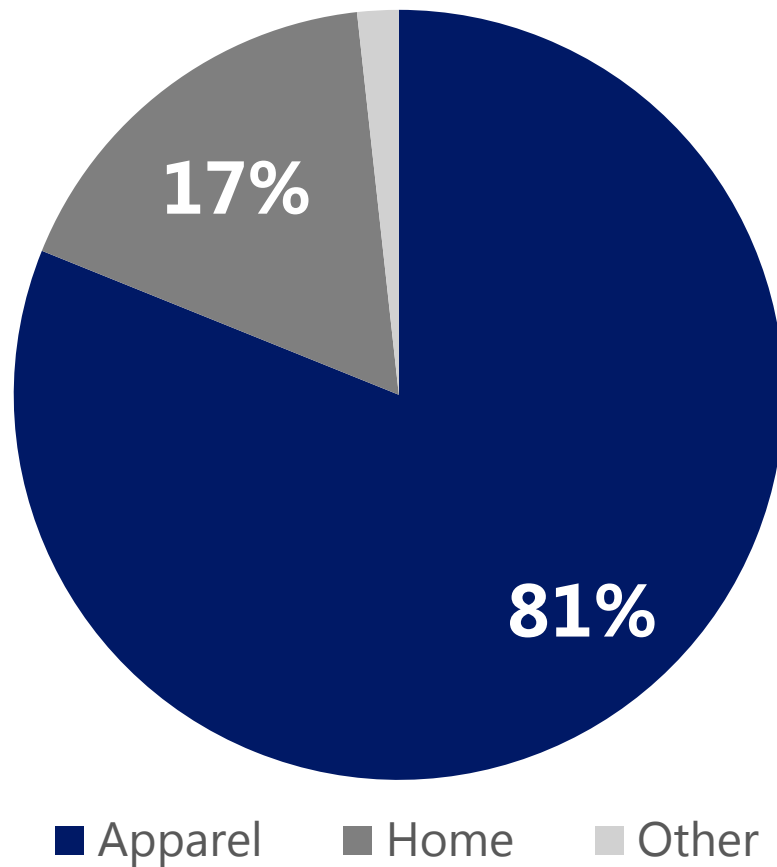


Sources: US Department of Commerce, US Bureau of Labor Statistics
 Notes: Data seasonally-adjusted



Consequences for Fiber Consumption

Apparel's Share of Cotton Imports (weight basis)

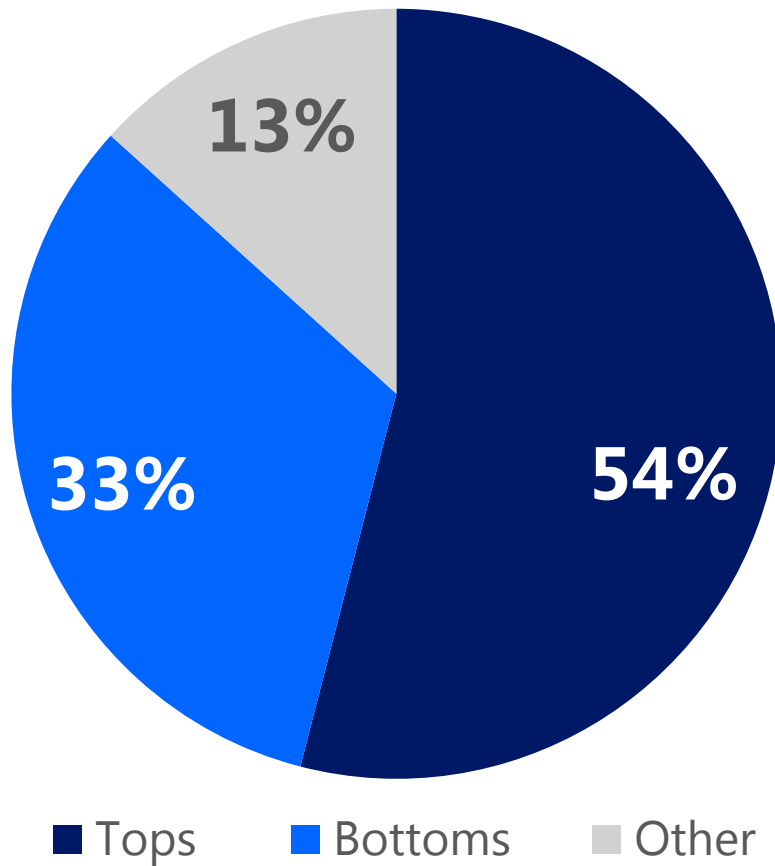


Sources: US Department of Commerce, USDA ERS
Note: Percentages based on 5-year averages.



Consequences for Fiber Consumption

Product Share of Cotton Apparel Imports (weight basis)

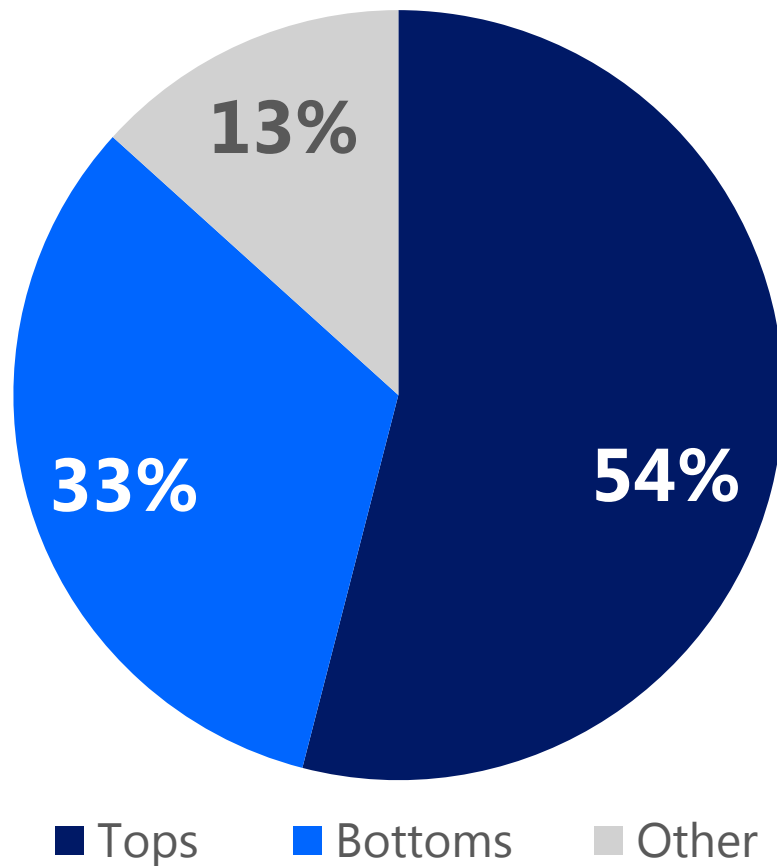


Sources: US Department of Commerce, USDA ERS
Note: Percentages based on 5-year averages.



Consequences for Fiber Consumption

Product Share of Cotton Apparel Imports (weight basis)



Cotton-Dominant Imports

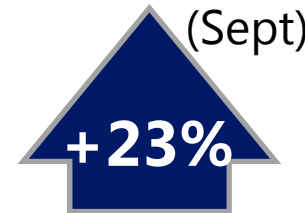
Product

Price at Peak

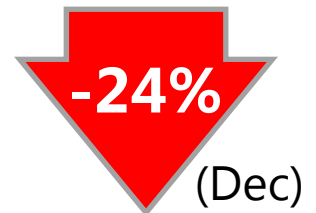
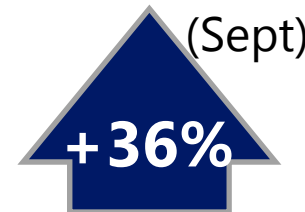
Volume at Nadir



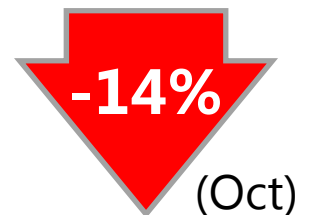
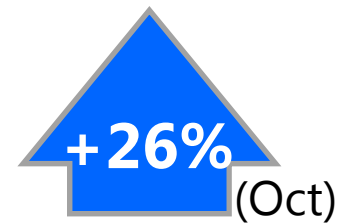
Knit Tops



Woven Tops



Bottoms



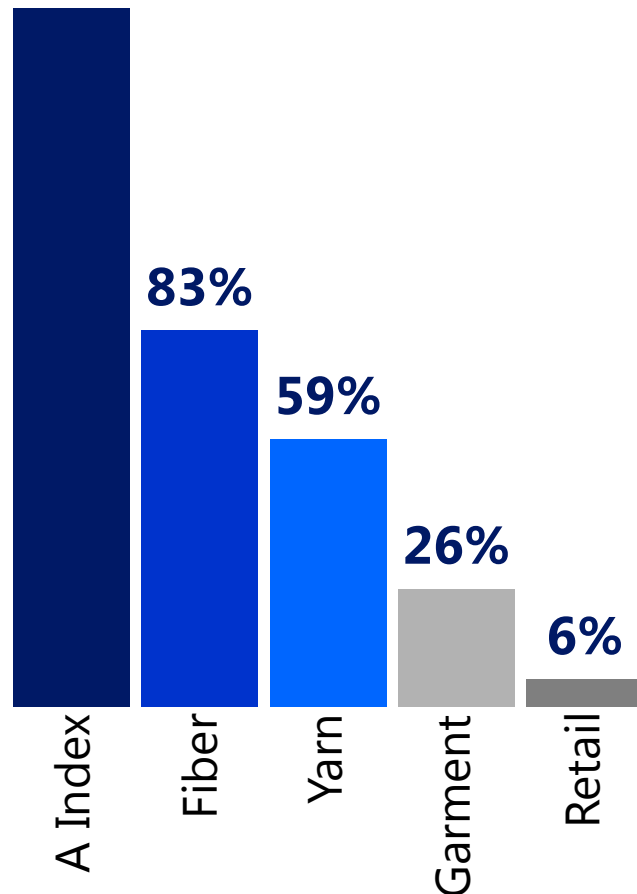
Sources: US Department of Commerce, USDA ERS

Note: Volume figures compare monthly imports since August 2010 against 5-year averages in seasonally-adjusted data.



Summary of Price & Demand Movement

Peak in Monthly Prices Relative to August 2010 Values
154%



- Fiber trade recovered with Chinese reserve purchasing
- Yarn trade volumes depressed
- Garment trade volumes depressed
- Price pressure at retail confounded by macroeconomic conditions
- Smaller market and lost of share

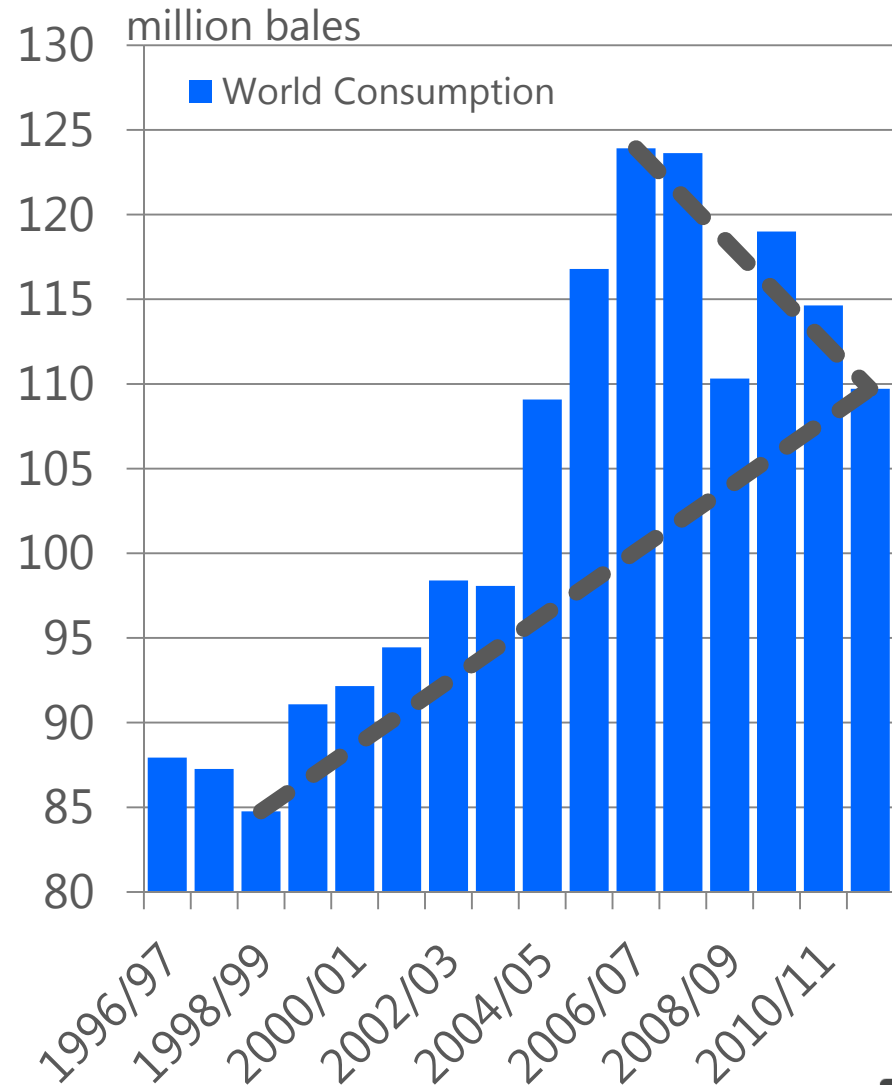
Questions for Demand: Collision of Factors

Short-term contraction

- Higher prices & volatility
- Lower order volumes and market share
- Stagnation in traditional end-use markets

Long-term growth

- Population growth
- Economic growth
- Yield growth



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