

# Record Cotton Prices & Effects on Textile Supply Chains



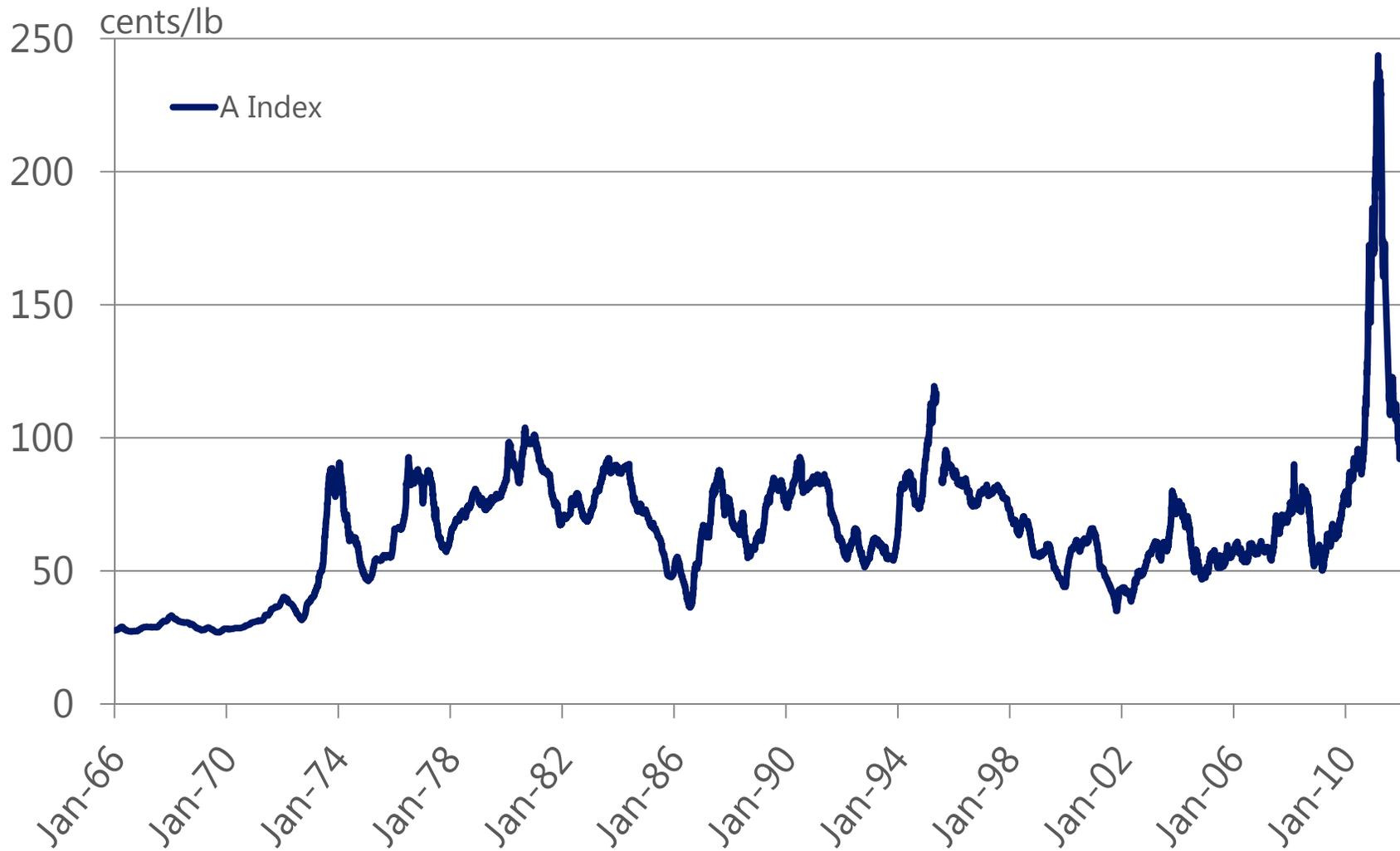
**2012 USDA Outlook Forum**

Jon Devine

Cotton Incorporated



# Record Prices



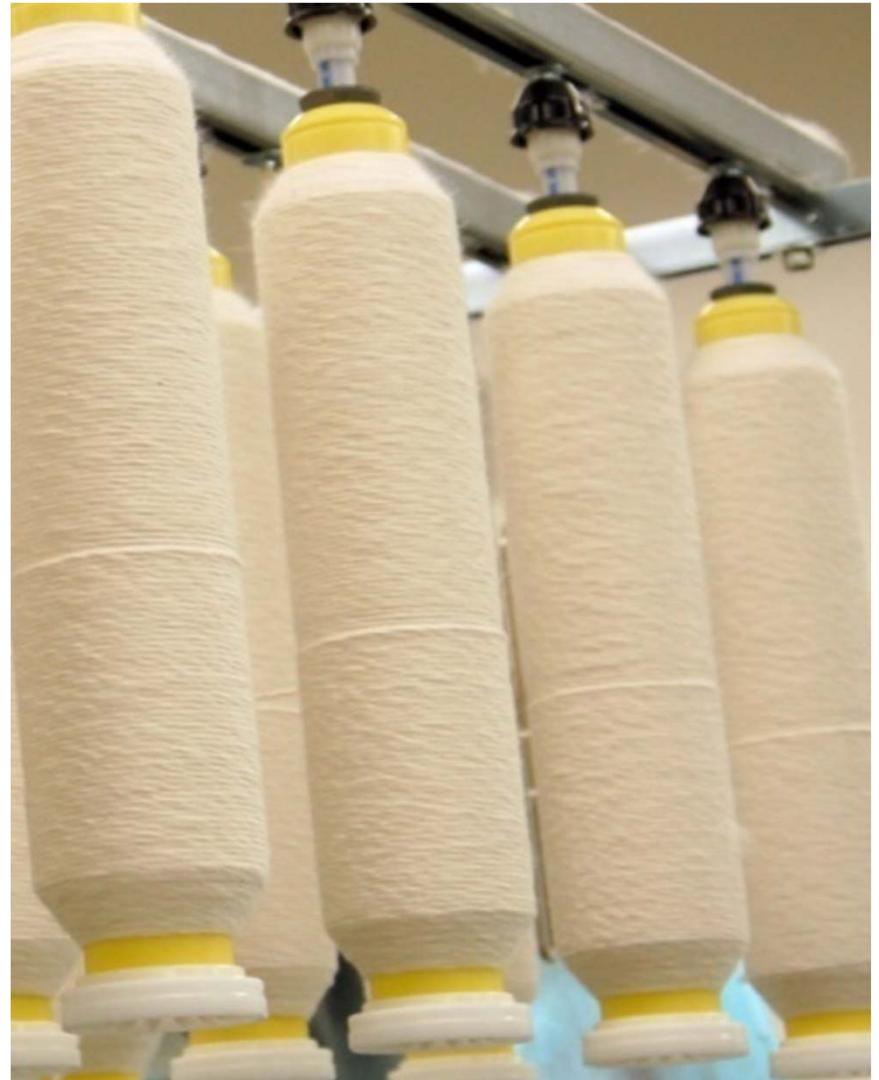
Source: Cotlook



# 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**



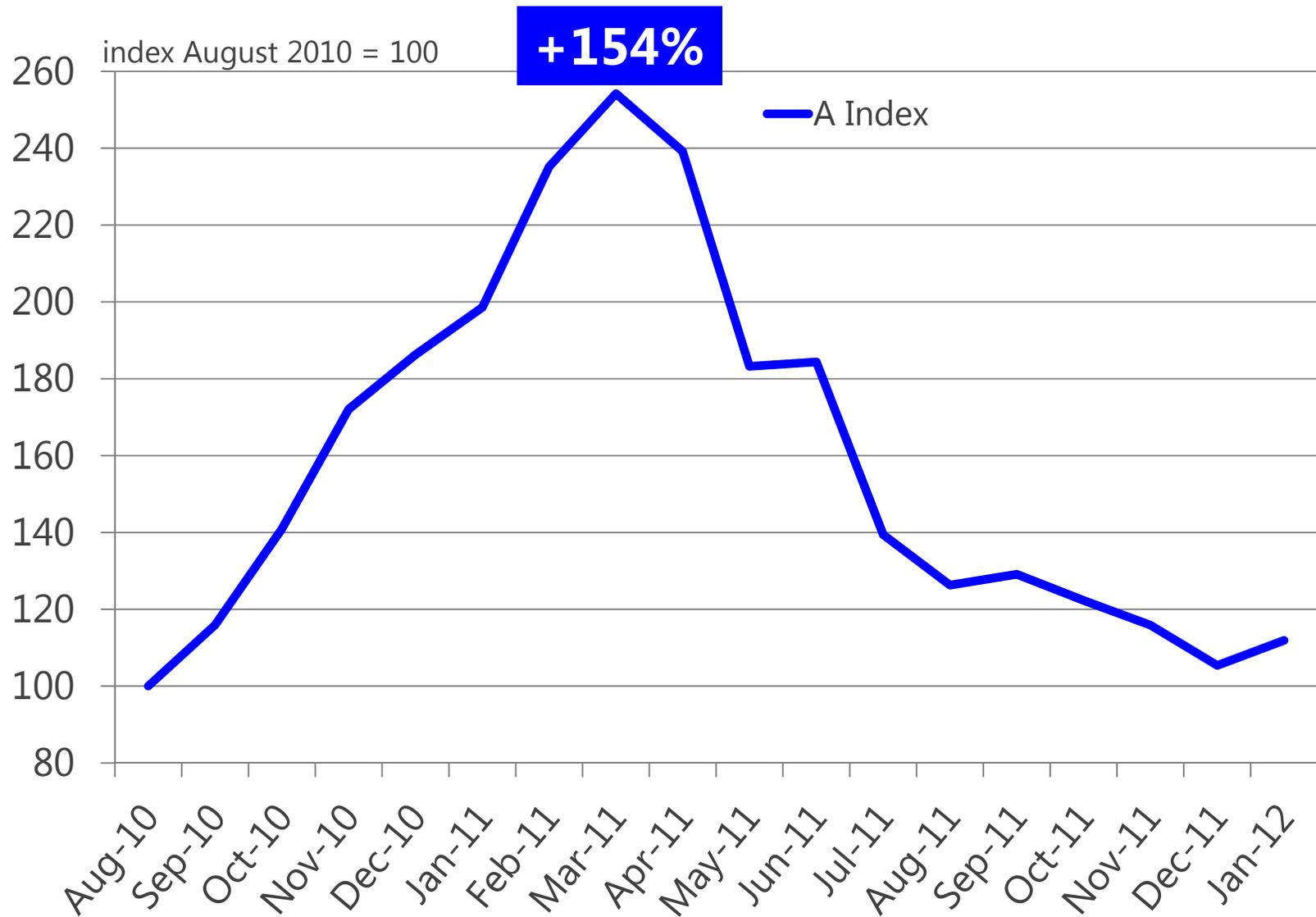
**Garment**



**Retail**



# Indexed Price Movement



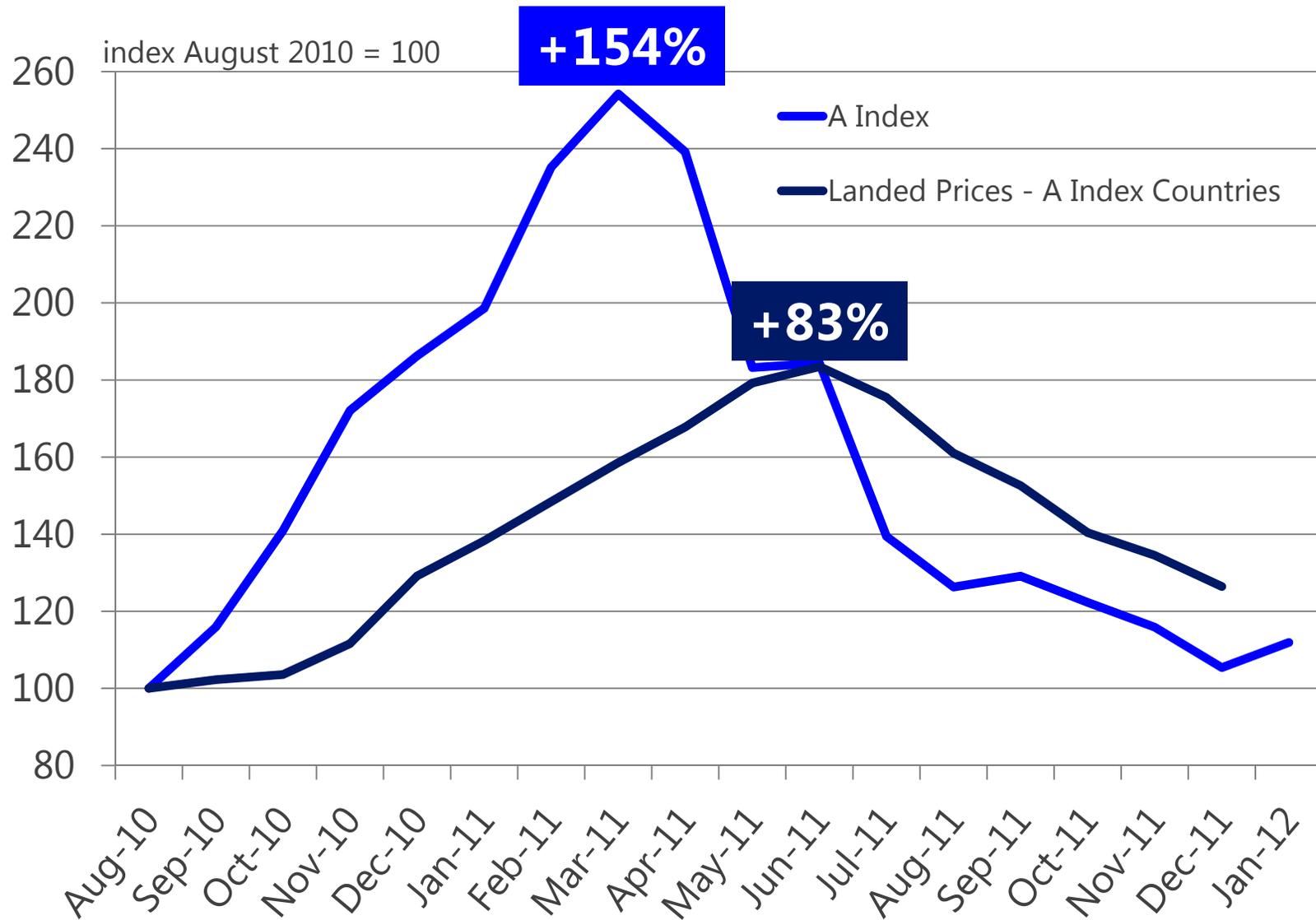
# A Index Prices for Future Delivery

## 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

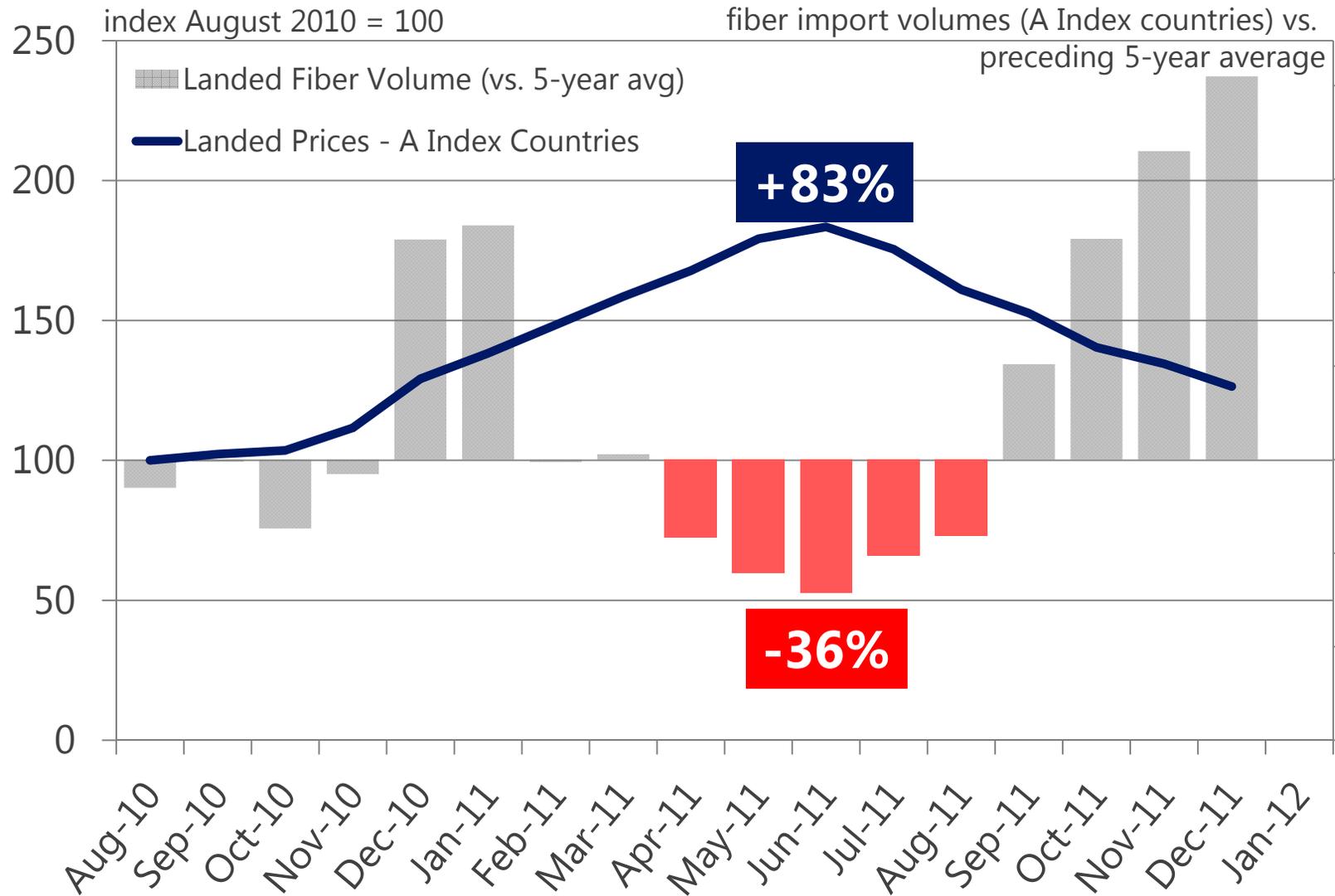
# Indexed Price Movement



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



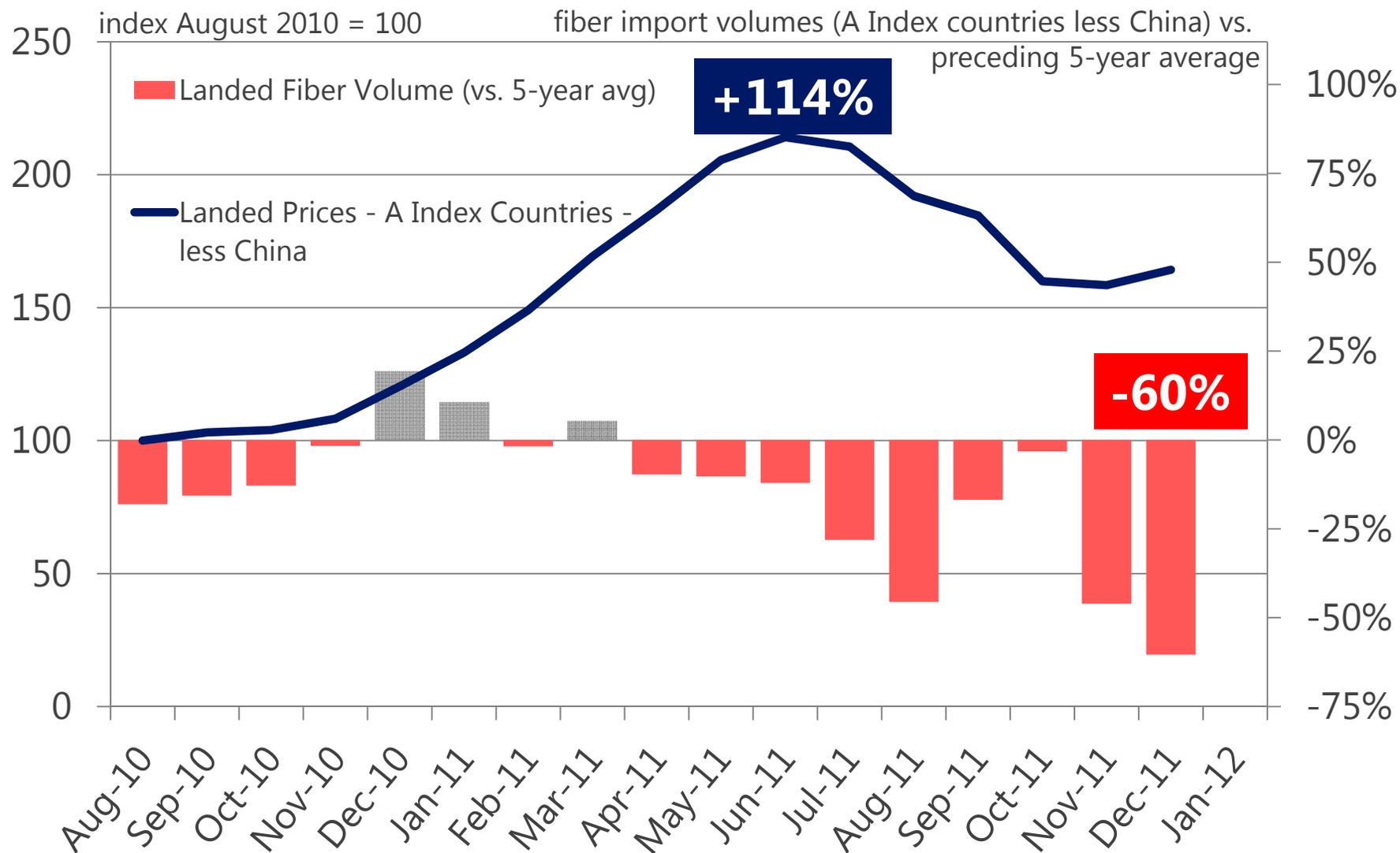
# Price Movement & Demand Response: Fiber



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



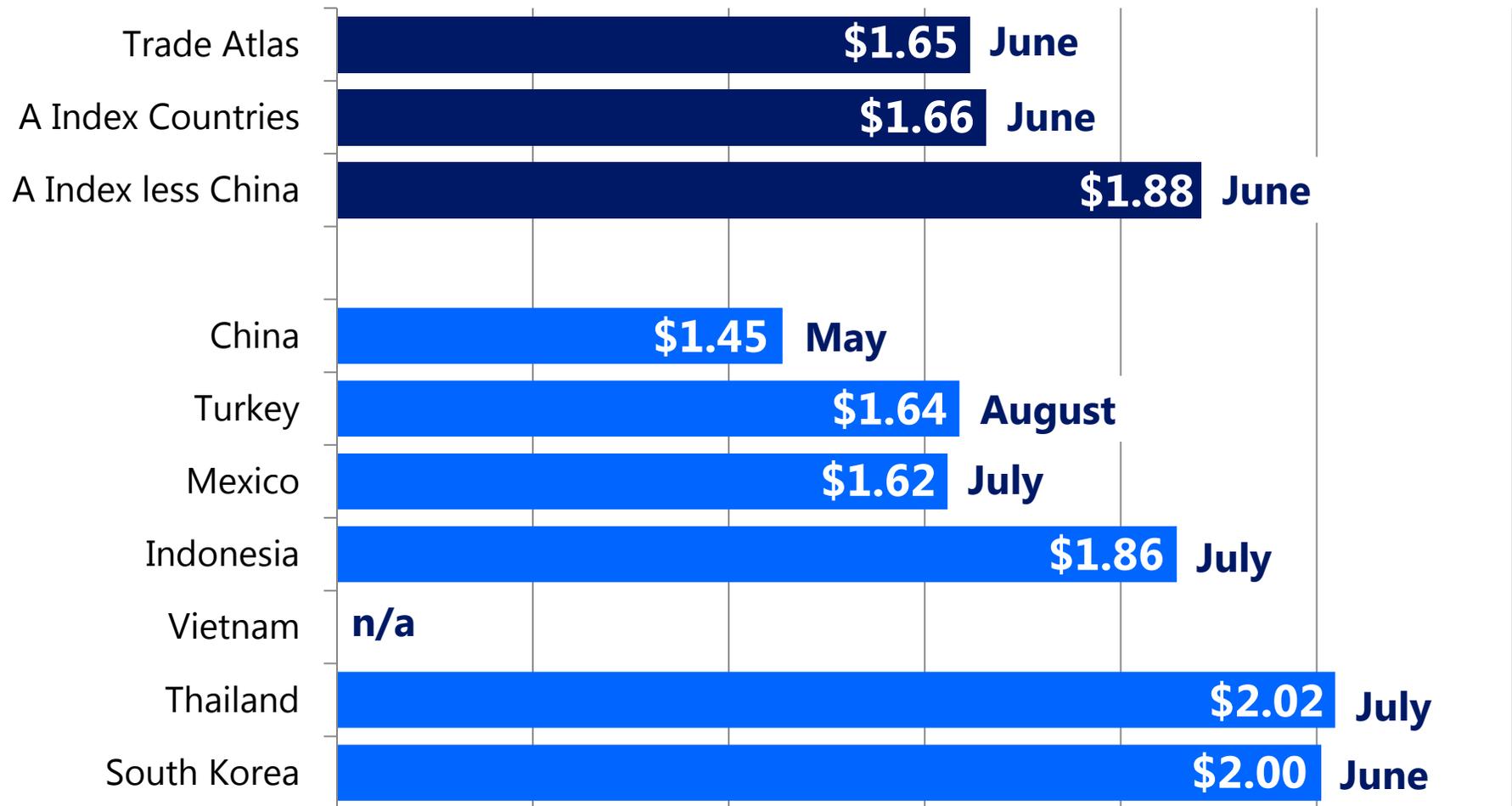
# Pain Greater Outside of China

## Month & Value of Maximum Average Landed Cost



# Pain Greater Outside of China

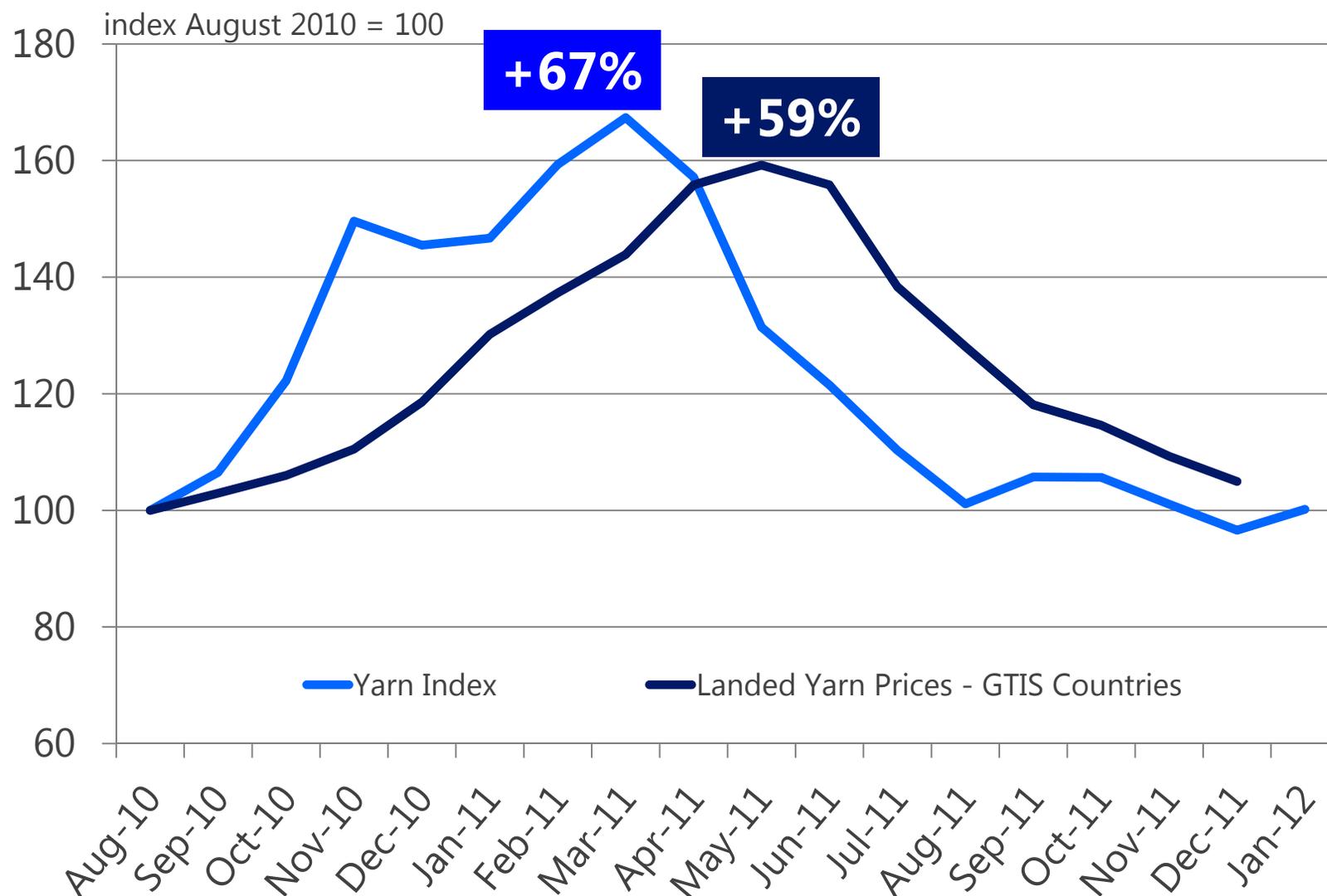
## Month & Value of Maximum Average Landed Cost



Source: Global Trade Atlas

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

# Price Movement & Demand Response: Yarn

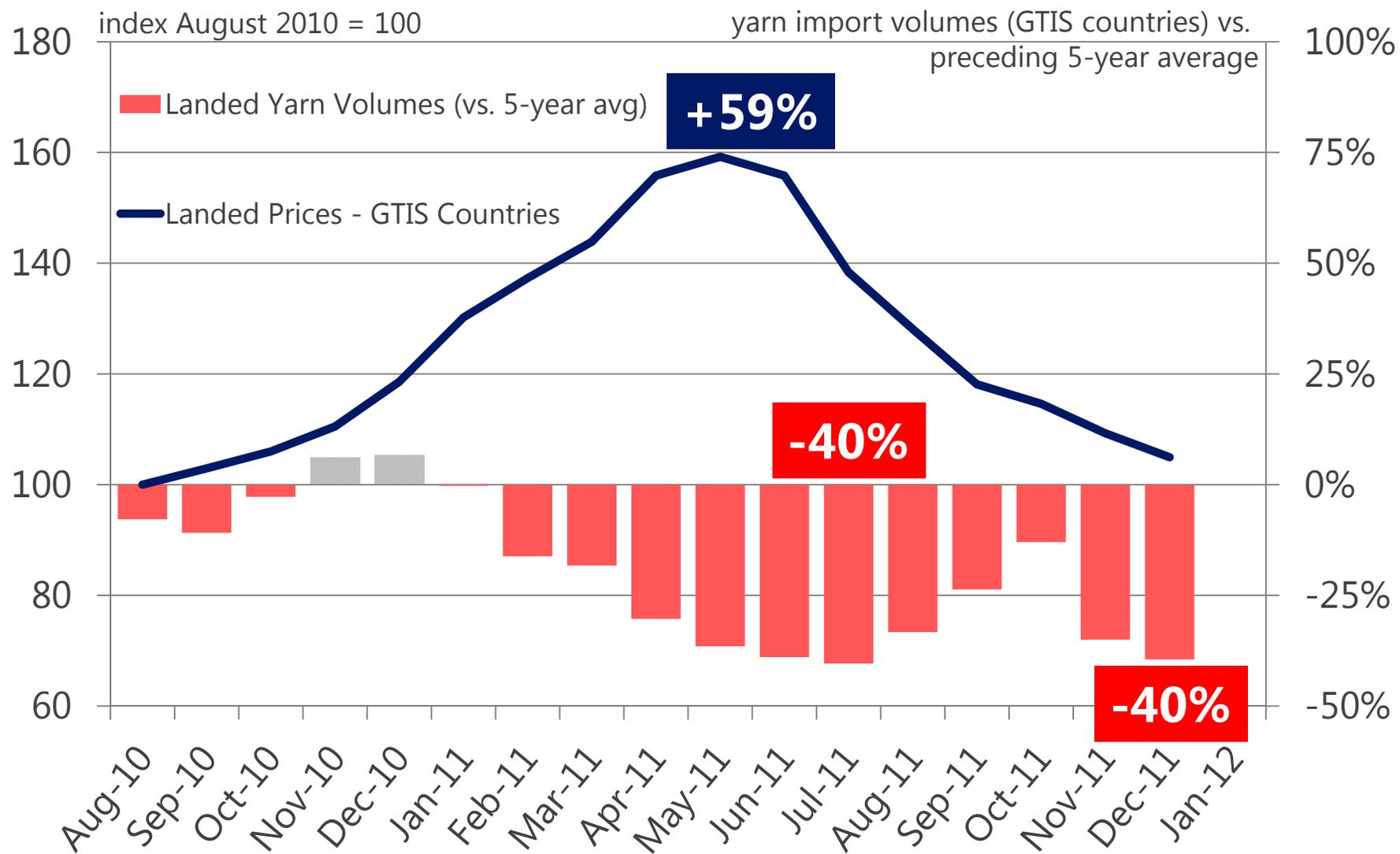


Sources: Cotlook, Global Trade Atlas

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



# Price Movement & Demand Response: Yarn

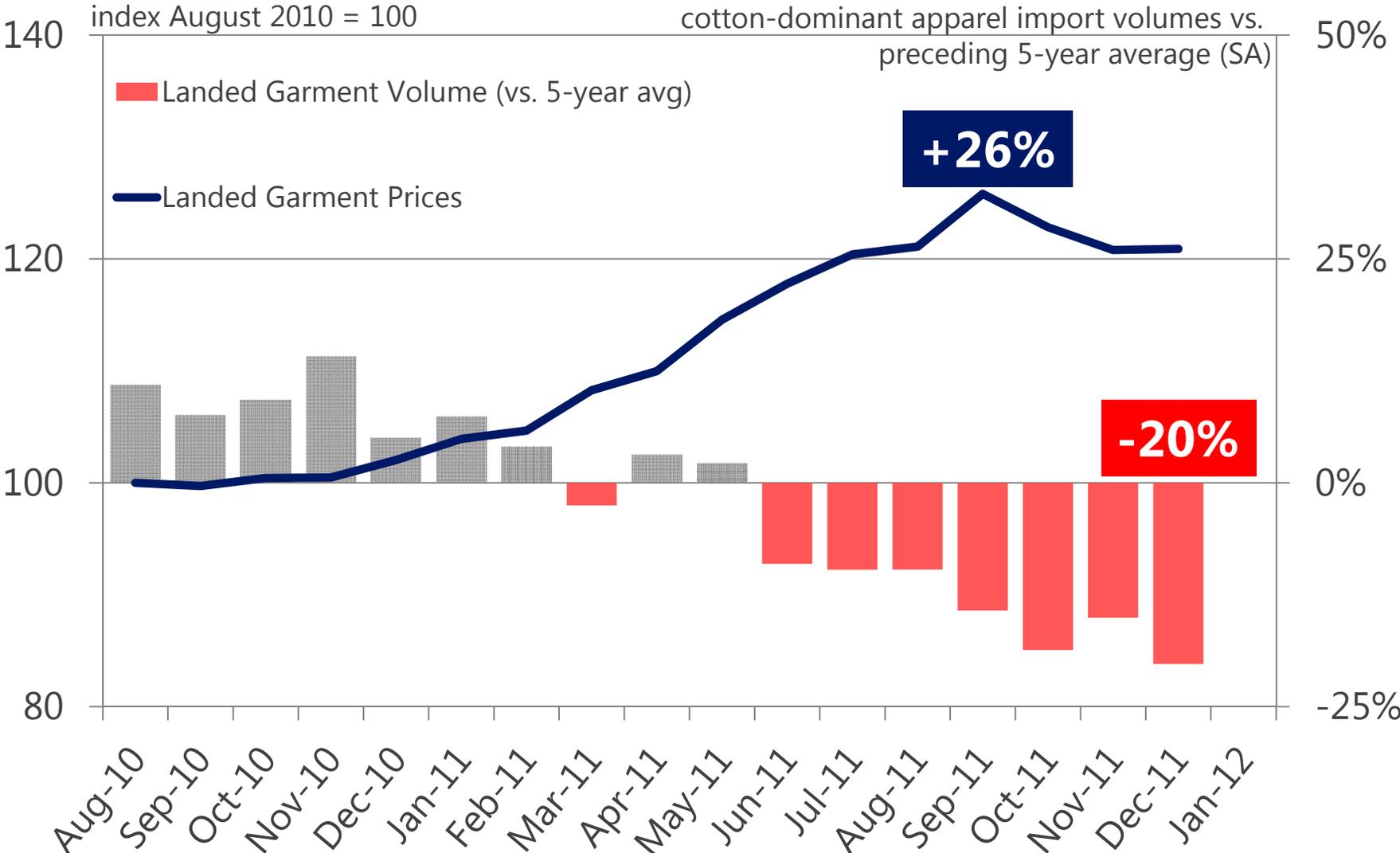


Sources: Cotlook, Global Trade Atlas

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



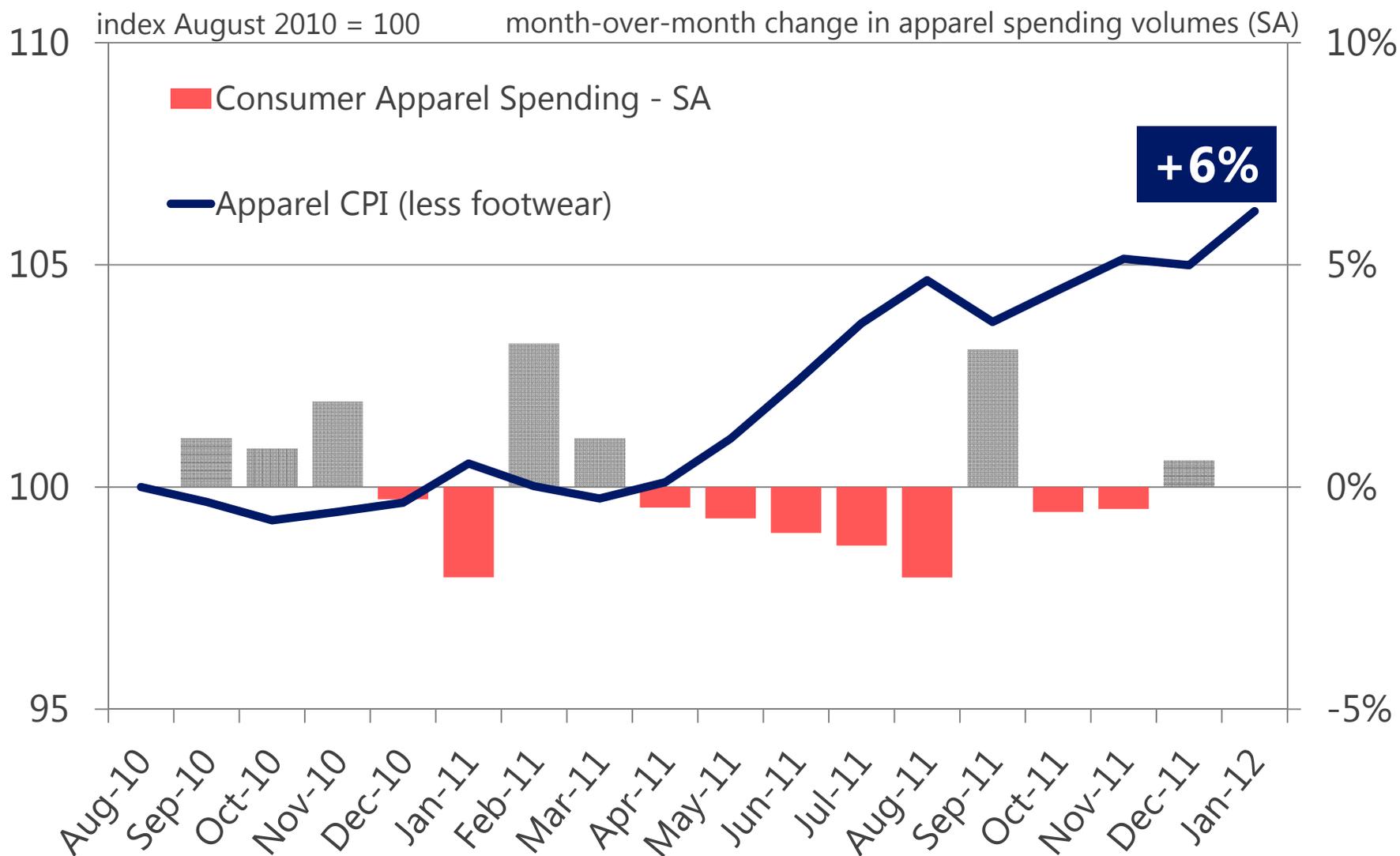
# Price Movement & Demand Response: Garments



Source: OTEXA  
 Notes: Data seasonally-adjusted



# Price Movement & Demand Response: Retail

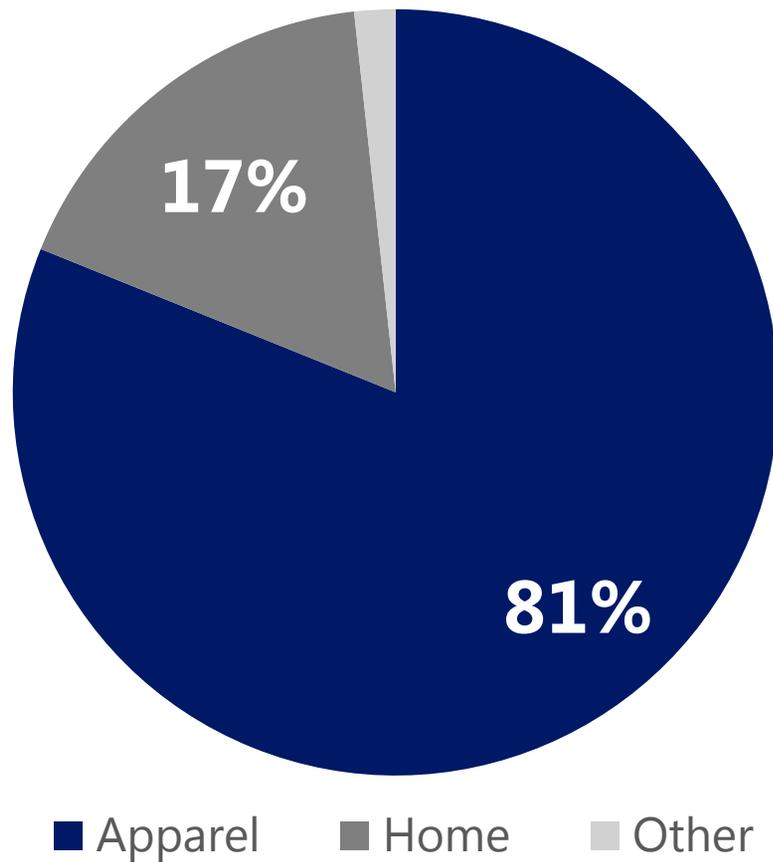


Sources: US Department of Commerce, US Bureau of Labor Statistics  
 Notes: Data seasonally-adjusted



# Consequences for Fiber Consumption

## Apparel's Share of Cotton Imports (weight basis)

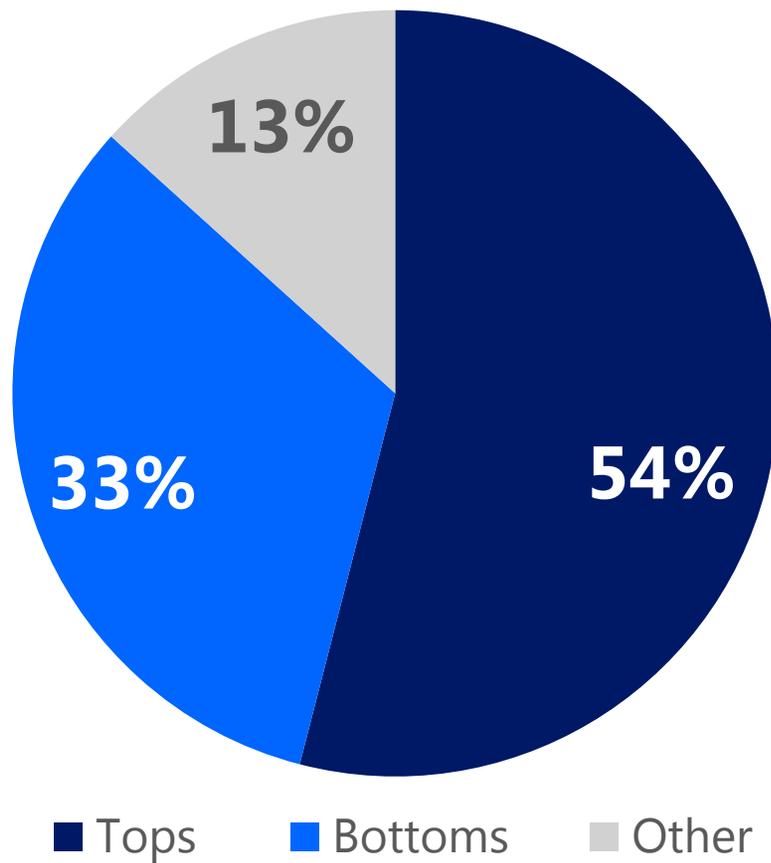


Sources: US Department of Commerce, USDA ERS  
Note: Percentages based on 5-year averages.



# Consequences for Fiber Consumption

## Product Share of Cotton Apparel Imports (weight basis)

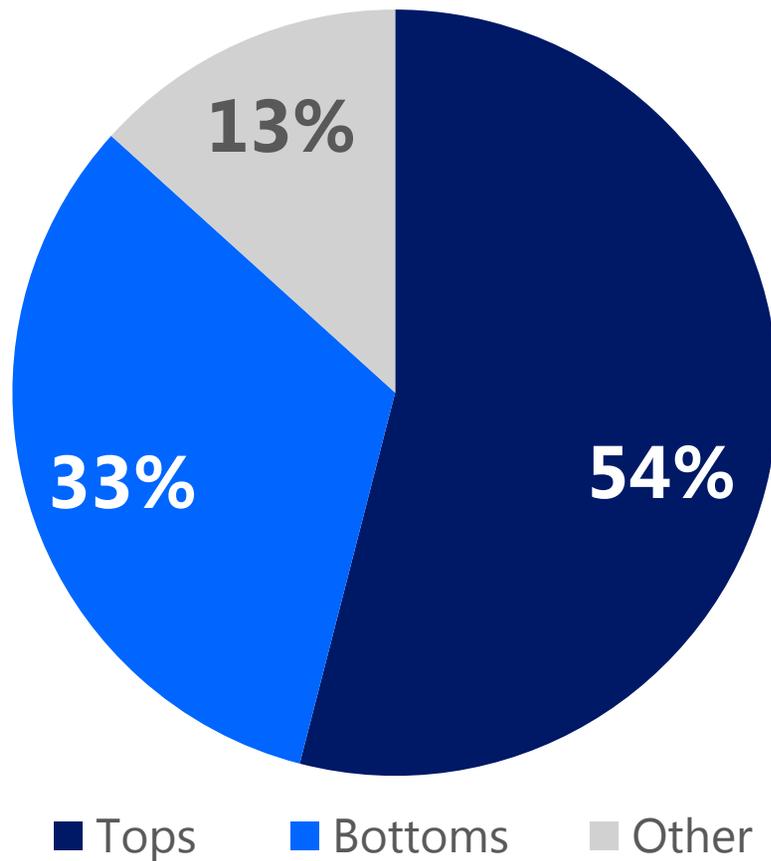


Sources: US Department of Commerce, USDA ERS  
Note: Percentages based on 5-year averages.



# Consequences for Fiber Consumption

Product Share of Cotton Apparel Imports (weight basis)



## Cotton-Dominant Imports

### Product

### Price at Peak

### Volume at Nadir



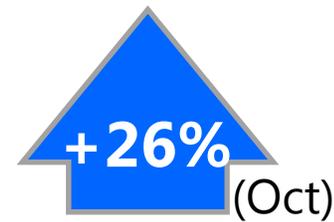
Knit Tops



Woven Tops



Bottoms



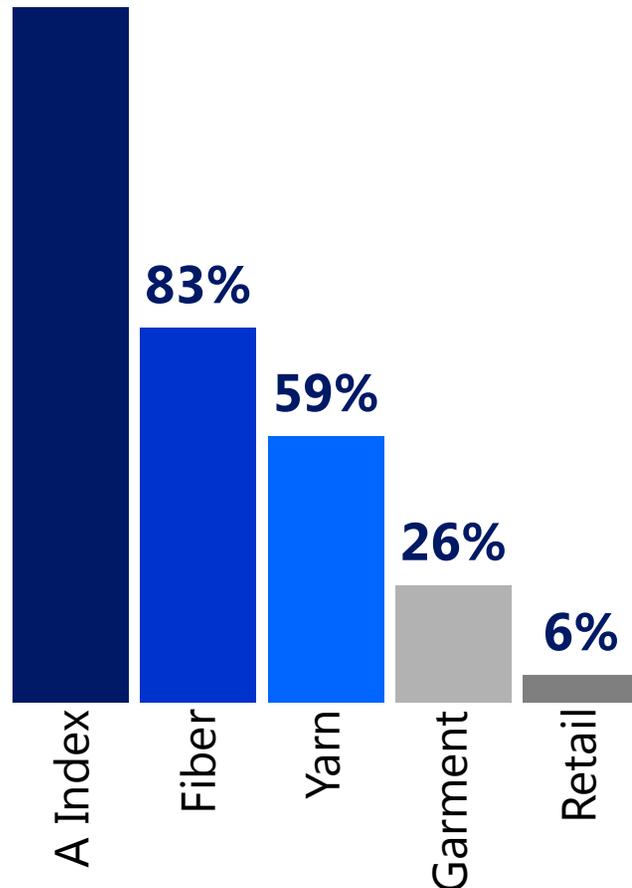
Sources: US Department of Commerce, USDA ERS

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

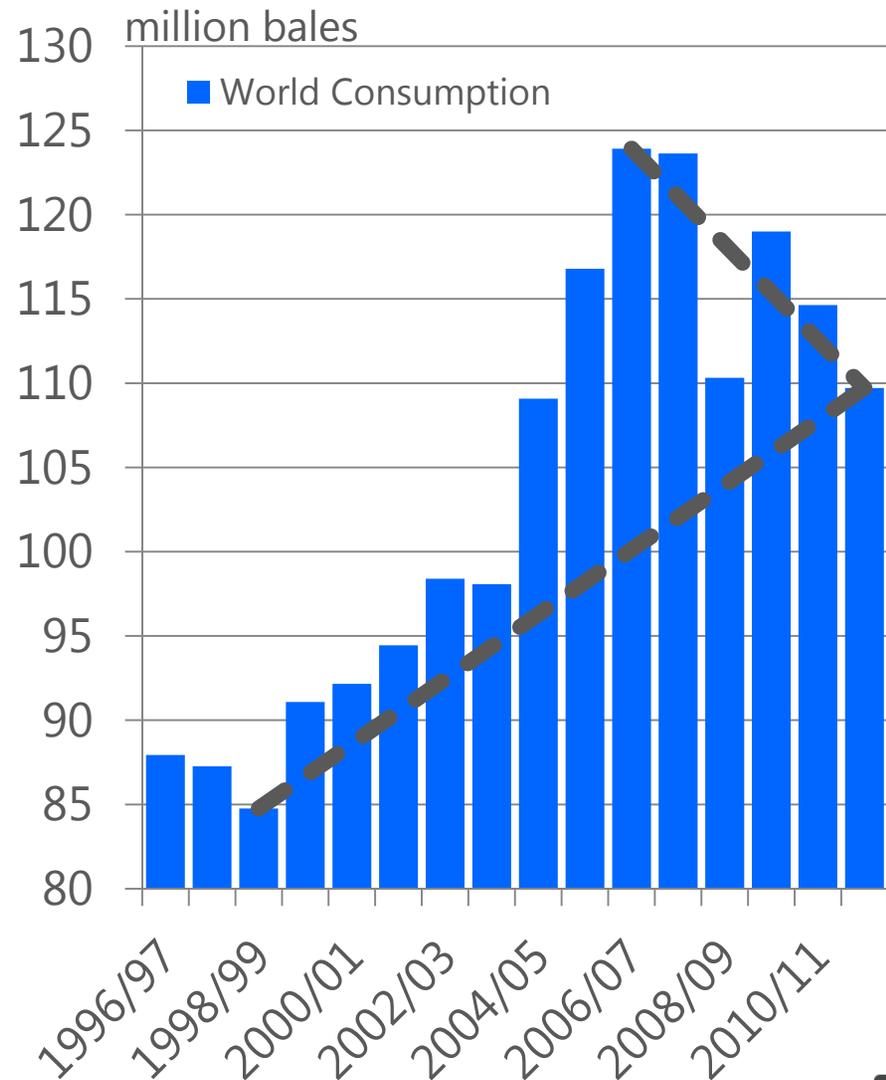
# Questions for Demand: Collision of Factors

## 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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