

Cotton Outlook

Special Feature

October 2023



ICA Singapore 2023



Our Commitment. Your Success.

Cargill Cotton is committed to achieving your objectives through trusted global expertise, proven reliability and comprehensive risk management solutions.

As a leading agriculture commodities merchant with global supply chain and risk management capabilities, we are uniquely equipped to help you *thrive*.

Cargill is committed to helping people and organizations *thrive*.
www.Cargill.com

© 2013 Cargill, Incorporated



Contents

	Welcome to ICA Singapore! <i>Editorial Team</i> , Cotton Outlook	4
	Cotton prices since 2020: the long-tail effect of Covid 19 <i>Antonia Prescott</i> , Deputy Editor, Cotton Outlook	5
	Interview with Kim Hanna, ICA President <i>Kim Hanna</i> , President, International Cotton Association	14
	Encouraging engagement with the ICA <i>Bill Kingdon</i> , Managing Director, ICA	21
	60 successfully 'Complete' Cotton training	24
	Key indicators of world cotton mill use - why demand forecasting has become more difficult <i>J. Berrye Worsham</i> , President and CEO, Cotton Incorporated	26
	Traceability in the cotton chain <i>Arnold Waters</i> , Cotton Services Business Lead, Alfred H Knight	31

Advertisers

100th ACSA Convention	20	LD Commodities	34
Alfred H Knights	32	Mallory Alexander	18
Amit Cotton	39	Nicot	29
BeCotton	28	OmniCotton	15
Cargill	2	Staplcotn	17
COFCO	37	TG Inspections	11
Ecom	10	The Seam	13
ICT Trading SA	6	Tim North Consulting	30
Jess Smith and Sons	12	Wakefield Inspection Services	7



Published by : Cotlook Limited, PO BOX 111, Liverpool, L19 2WQ, United Kingdom.
Tel : 44 (151) 644 6400 E-Mail : editor@cotlook.com
www.cotlook.com

The publisher accepts no responsibility for views expressed by contributors.
No article may be reproduced without the prior permission of the Editor.

Welcome to ICA Singapore!



Editorial Team
Cotton Outlook

After an interval of six years, the ICA Trade Event is back in the nexus city of Singapore, bringing together members from all over the globe and from all sectors of the cotton supply chain. There can be no doubt, as we explore in our review of the recent past in our opening article, that the last 12 months have been a difficult time for the industry, with consumer demand for textiles stagnant and raw cotton prices tightly range-bound.

Nevertheless, business continues and new initiatives move ahead – both within

the ICA itself and in the wider sector – as our venerable contributors illustrate in such informative and entertaining terms.

Cotton Outlook would like to take this opportunity to thank all our writers, who have so generously contributed their time and efforts to the publication. We are also very grateful to the ICA Secretariat and the Managing Director, Bill Kingdon. And we wish to extend our congratulations to acceding ICA President, Kim Hanna, the first woman to occupy the role in the Association's 182-year history.



Cotlook Price Series

NOW including Cotlook basis data

Save time and money – the Cotlook Price Series database includes the Cotlook A Index and its constituent growths, a range of other non-Index C/F Far East quotes published by Cotlook: all the raw data you need to produce charts and reports in-house.

Historical data showing the composition of our Indices are offered as part of this service, which also provides an easy way of keeping your own database current. Monthly updates are available to download from our website as self-extracting archive files in Excel® format.

For more information and pricing please contact:
subscriptions@cotlook.com

Cotton prices since 2020: the long-tail effect of Covid 19

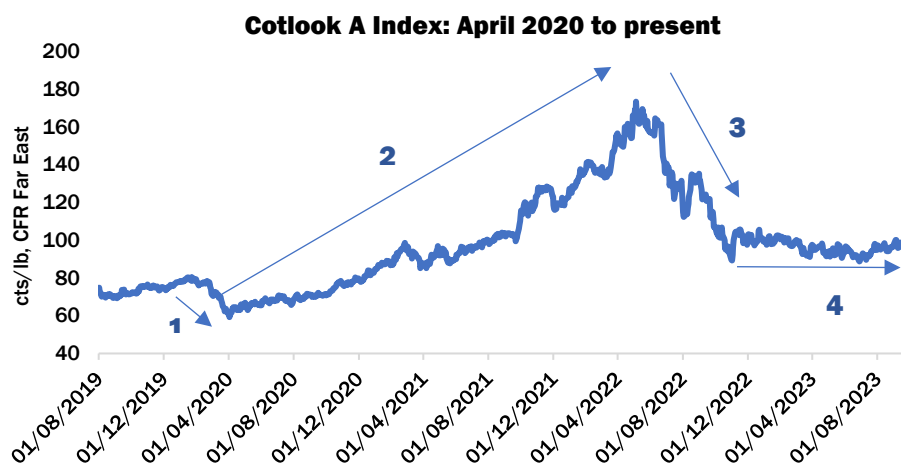


Antonia Prescott,
Deputy Editor,
Cotton Outlook

With hindsight, it is becoming clear that the impact of the Covid pandemic on global cotton prices has been manifested in four distinct phases (at least, so far). To be able to view these stages in full, it is helpful to rewind all the way back to January 2020. At that point, the Cotlook A Index had reached its strongest position for some time, coinciding with the signing of the Phase One deal between Washington and Beijing that promised to bring to an end the worst of the damaging effects of the trade war. However,

in very short order there came another, extremely unwelcome shock to the market as the Covid-19 virus spread out across the world, prompting unprecedented shutdowns for commerce and industry. In response to the collapse in demand, cotton prices slumped to an eleven-year low in early April 2020 – we might call this month of price destruction Stage One.

Stage Two of the Covid impact is visible in the A Index chart between early April 2020 and May 2022. It is fair to say that this extended and almost uninterrupted bull run was unforeseen by most market participants in the gloomiest days of lockdown. Nevertheless, for a variety of reasons – among them large-scale fiscal stimulus packages





Headed to cotton
Headed to cotton



ICT COTTON LIMITED

www.ictcotton.ch

implemented by central banks and a shift in consumer spending from experiences to homeware and clothing – cotton prices gradually recovered all the ground lost in Stage One over the eight months to early December 2020, and then proceeded to climb steadily (and increasingly rapidly) all the way up to May 2022, at which point the A Index recorded its second highest position ever (173.45 cents per lb on May 5) which effectively marked the end of Stage Two.

Stage Three – the crashing descent of cotton prices during May and November 2022 – was again extremely bruising for the industry. In six months, the A Index gave up all the ground gained over the previous twelve as inflation (at least partially inspired by the very monetary loosening implemented by central banks in order to support markets) gathered pace. Financial

authorities were forced to raise interest rates sharply and rapidly in an effort to calm the overheated price environment. The effect of the twin elements of inflation and the higher rates now payable on mortgages and other debts was to limit disposable incomes and once again cut demand for discretionary items such as clothing and homeware as basics such as food, energy and rent/mortgage costs skyrocketed. The “dead cat bounce” observed for the A Index in August 2022 was the first distinctly bullish move in cotton prices observed for a number of months. It was prompted by a tightening in the available supply as the world was waiting for Northern Hemisphere crops to come to market, but most notably a swingeing cut to USDA’s forecast of US output in the August WASDE report, down 3 million bales to 12.6 million.



WAKEFIELD
INSPECTION SERVICES

Navigating your cargo to market through our globally seamless partnership.

Wakefield Inspection Services Ltd
Suite 5, Exchange Station
Tithebarn Street, Liverpool
L2 2QP, United Kingdom
Tel : +44 (0)151 236 0752
Fax: +44 (0)151 236 0144
e-mail: info@wiscontrol.com

Wakefield Inspection Services Inc
1517 G Avenue
Plano, Texas 75074 USA
Tel: +1 972 690 9015
Fax: +1 972 690 7042
e-mail: info@wiscontrol.com

Wakefield Inspection Services (Asia) Ltd
6F-1, No 120 Nanjing East Road,
Section 1,
Taipei 10454, Taiwan
Tel: +886 2 2585 9511
e-mail: info@wiscontrol.com

www.wiscontrol.com

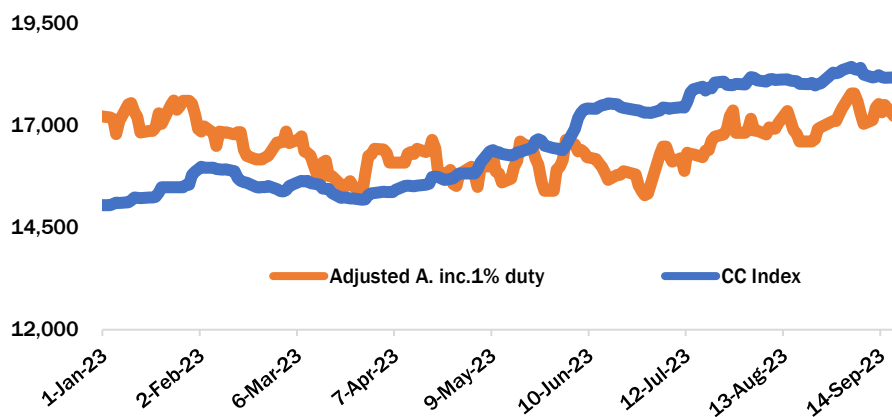




That August bump also turned out to be the last really strong dynamic in the cotton market for more than a year. In fact, at the time of writing, we are still waiting for another such definitive shift. Which brings us to Stage Four, which coincides roughly with the past 12 months since ICA members met in Las Vegas.

What we have seen in the past year is these three phases of very strong and definitive price dynamics give way to a prolonged period of remarkable stability, not to say stagnation. The very difficult macro-economic conditions referred to above, involving not just sharp inflation and rising interest rates, but also the impact of Russia's war on Ukraine and falling GDP growth forecasts particularly in very developed economies, have continued to exert pressure on consumers' disposable incomes. In consequence, retailer and brand orders to textiles and apparel manufacturers have been severely curtailed, and such orders as were placed were typically for smaller quantities, with lower prices and faster turnaround times. The effect further up the textiles supply chain has been acute. Yarn prices in most spinning centres have suffered, leaving mills with a profitability gap. Thus, while raw cotton offering rates have been range-bound in the past ten months, the pattern for merchants' achievable basis levels (relative to the associated New York contract) has been one of attrition. Some of that reduction may be attributed to falling shipping rates (which were greatly augmented in Stage Two when logistics were still severely disrupted and competition for vessel space was fierce) but a great deal of it has to do with mills' struggles to turn a profit at the prevailing rates and traders being forced to make concessions in order to get business on the books.

International vs. China spot prices



Consumption and buying in the doldrums

As already outlined, many of the problems faced by spinners in the various cotton-consuming countries in recent months originate downstream. However, there have also been local difficulties to contend with in the past year. Looking first of all at markets other than China, we have seen the devastating earthquake in Turkey, energy costs rising across the board, foreign exchange crises in Pakistan and Bangladesh, where banks have regularly delayed or refused the opening of Letters of Credit just adding to the problems associated with late-arriving, high-priced orders of cotton. Often, mills' lack of dollar liquidity meant that concluding business was impossible even when there was a need for raw cotton. All told, the net effect has been very piecemeal, highly price-conscious, hand-to-mouth demand for a number of months. Only very lately in Bangladesh have we seen a moderate turnaround in yarn prices, facilitating greater levels of demand and confirmed business, and for further ahead. However, evidence of a similar reawakening elsewhere (in Southeast Asia, for instance) is fragmentary at best.

China, meanwhile, has its own difficulties, somewhat distinct from the rest of the world. First of all, it was much slower to emerge from Covid lockdowns than most other highly industrialised countries and the economic recovery since November last year (when all restrictions on movement and activity were finally removed by Beijing,

following widespread protests amongst an increasingly restive population) has been a lot slower than was hoped. Rather than the inflation suffered by most of the globe, China is actually undergoing a period of deflation, which is no less damaging in its effect on consumer spending than the opposite dynamic. GDP growth has slumped to 0.8 percent in the second quarter of 2023, according to the OECD, youth unemployment is at a record high and a burst property bubble is creating a huge additional drag on the economy.

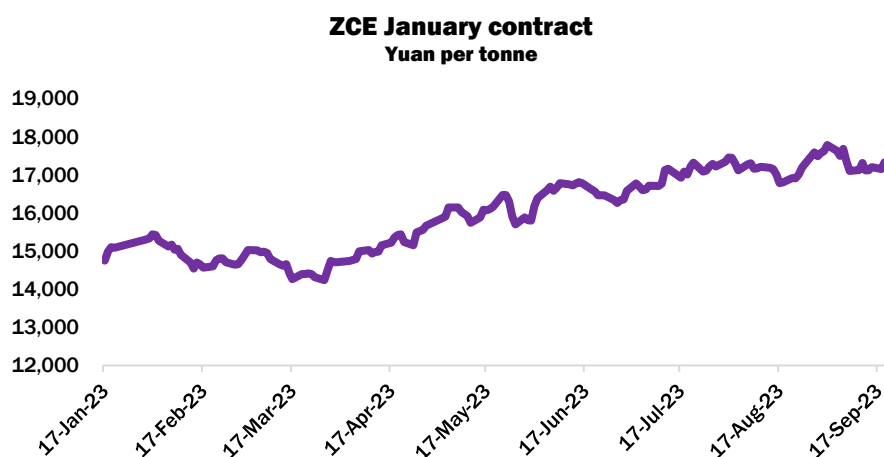
Nevertheless, in the late spring/early summer of 2023, a shift in the dynamic at least as far as raw cotton demand and prices are concerned was suddenly perceptible as the domestic stock situation was reappraised. Local supplies had been diminished by a larger margin than previously thought, and in the meantime an output reduction was in view for the coming 2023/24 season arising from a fall in planted area and a return to more typical yields.

As a consequence, ZCE futures as well as local spot prices began to rise in late April and moved sharply higher in early June. The resultant reversal in the relationship between the local and international markets for raw cotton quickly prompted an increase in import demand from state and private traders who immediately saw the opportunity to leverage the price differential between the ICE and ZCE markets, and also secure international supplies for dispersal at a future moment (or perhaps for absorption into the State Reserve). The Reserve itself is also credited with some purchases earlier this year.

However, this sudden strength in the local market prompted the Chinese government to introduce two price-quelling measures: first, discretionary, Sliding-Scale quota for 750,000 tonnes of imports was announced and then daily auctions of cotton from the State Reserve began at the end of July. Thus far (that is, at the time of writing in mid-September), the government strategy seems to have prevailed. The China Cotton Index has stabilised, and the January ZCE contract has fallen from its early September peak.

Before we conclude our discussion of China, it will be instructive to give some attention to the possible level of stocks in the government's strategic reserve. Prior to the buying campaign of May and June, it was thought that sequestered stocks amounted to perhaps 2.5 or 3 million tonnes. However, that figure was acknowledged to include a few hundred thousand tonnes of domestic cotton bought more than 10 years ago as part of the huge procurement programme the government undertook between 2011/12 and 2013/14. Since none of those ageing supplies have been offered for sale in this year's auction, we might conclude that they are now effectively unmerchantable and may strike them from the balance sheet, bringing the estimate of the starting point to somewhere in the region of 2/2.5 million tonnes. Meanwhile, the buying by or on behalf of the State Reserve noted earlier is estimated by some observers to have amounted to perhaps 300,000/400,000 tonnes.

In the period since late July, around 500,000 tonnes have been sold – much more than was added in the couple of months prior to that – in the following proportions: around 40 percent Brazilian, 30 percent US, 16 percent Australian and 14 percent Xinjiang. This apparent reduction in the stock levels invites the hypothesis that a further round of purchasing from the international





*improve cotton,
improve lives*

Sustainable Cotton

Our vision is to promote good practices in how cotton is grown, sourced and used. We're innovating and collaborating across every part of the supply chain, with a focus both on people and the planet.



ecomtrading.com

market may be under consideration in the coming months, whenever prices and availability of desired supplies are deemed most suitable. Moreover, it is important to note that any such buying will take place outwith the bounds of the sliding-scale quota announced in July and distributed in September, since those allowances are extended only to mills.

Northern Hemisphere crops face challenges

By the time we meet in person in a few short weeks’ time, the picture for supply from the Northern Hemisphere over the coming months will be becoming clearer. Nevertheless, at this juncture it is already plain that output may not be as abundant as was hoped earlier in the year. In the US, the prolonged drought affecting the southwest of the country was at least partially alleviated in the spring. However, rainfall over subsequent months was not spread across the major producing area of West Texas in a way that would support the crop effectively throughout the growing season. Between May (when USDA’s first estimates of new crop output are issued) and the latest report in September, the output forecast has been reduced by 15 percent or almost 2.4 million bales to 13.13 million, which would be the smallest crop since 2015/16. USDA’s September estimates also included a sizeable reduction to output in the Southeast.

In China, a fall from last season’s record yields and consequent bumper crop has been in view for some time, since farmers, disappointed with their returns from cotton in 2022/23, have reduced the area dedicated to the crop this season by around 7.5 percent according to the China Cotton Association. The fact that Beijing has introduced a cap on the subsidy available in Xinjiang for cotton production to 5.1 million tonnes may be relevant too. Meanwhile, growing conditions

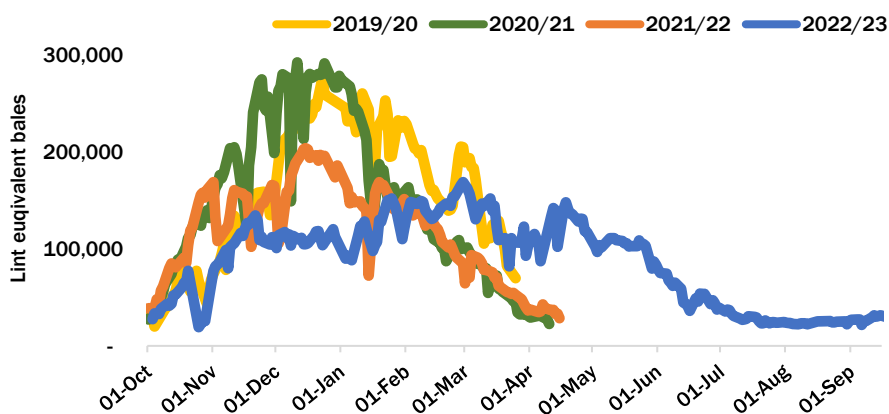


have been challenging, with cool and rainy weather at the start of the cultivation cycle and very hot and dry conditions later on. All told, a crop in the region of 5.96 million tonnes is expected compared to the 6.79 million achieved last year.

Indian production has posed something of a conundrum to observers for a number of years. Despite enjoying the largest cotton area of any country in the world, yields remain stubbornly low, even falling in recent seasons. Then, in 2022/23, an anomalous pattern of seed cotton arrivals – very low and slow for many months – caused concern that output had actually suffered an unforeseen and unexplained catastrophe.

In the event, however, the slow but steady stream to market continued and gradually shifted the crop number, according to the Cotton Corporation of India, back up to 32.8 million bales (170 kilos) at the time of writing. The result has been that previously held truisms about the position of Indian producers – that their access to storage facilities is limited, that they

Estimates of daily arrivals in India since October 1



usually need to liquidate supplies quickly to recover input costs and meet pressing cash requirements – have been challenged. Nevertheless, India is not at present a major player in terms of world trade. With the noteworthy exception of the early Covid period, consumption is fairly steady year to year – with much of the textiles output focused on the huge domestic population – but with yields and output struggling (this year’s crop is not expected to exceed the results achieved in 2022/23), most of the domestic supply is currently absorbed at home, leaving little for export. Meanwhile, imports are impeded to a large extent by the 11-percent duty, and overseas purchases are often limited to high-value, contamination-free or long staple lint reserved for top-end products.

Finally, to conclude our review of the major Northern Hemisphere producing zones, in West Africa cotton planted area has fallen for a second season in a row. At

present, estimates of output at a little over a million tonnes are based on a recovery of yields. However, the premise on which that increase is predicated – the effective management of jassid infestations that ravaged the crop last year – is by no means guaranteed.

The shift south – the increasing importance of the Southern Hemisphere for the global balance sheet and world trade

And so, to the south. Here, at least, the outlook is more optimistic. The success of the massive investment in cotton farming infrastructure in recent years in Brazil is plain to see. Estimates of output in 2022/23 are for a record crop of 3.15 million tonnes, according to the latest official assessment, and some early reports suggest an increase in planting intentions for 2023/24. In Australia, the country has cycled out of a drought phase into a period of relatively abundant rainfall. The outcome from last

A Tradition of
Trust & Quality
since 1943



**Supima
SJV
C/A
Memphis
Eastern
Texas**



Jess Smith & Sons Cotton, Inc
2905 F Street
Bakersfield, CA 93301

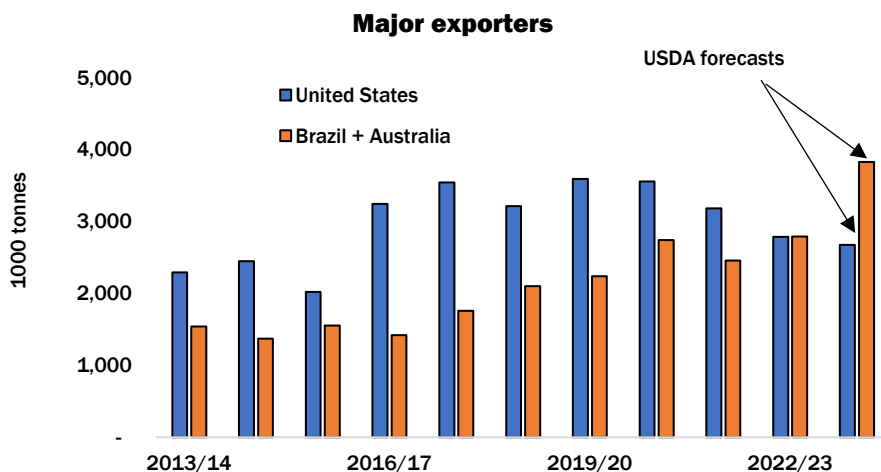
Tel: (661) 325-7231

www.jesssmith.com
traders@jesssmith.com

season was highly satisfactory in terms of quality and quantity, and ample water is in storage to support irrigated crops next year, though the threat of a return to drought at some point remains.

The distinctly different fortunes in the two hemispheres of course have implications for world trade. Between August 2022 and July 2023, for the first time ever, combined export shipments from Australia and Brazil modestly exceeded those from the United States. However, a much larger margin is apparently in prospect for 2023/24, according to USDA's September forecasts, taking account of both the strong crop performance in the Southern Hemisphere and a very challenging

growing cycle in the US. While in future years a return to a more typical level of output for the US may mean that this pattern is not necessarily a perennial one, the strong challenge to the world's largest exporter from high-quality, machine-picked supplies from the southern half of the globe is probably here to stay.



AN INDUSTRY THAT
WORKS TOGETHER
WINS TOGETHER

The Seam®

A leading provider of trading and technology solutions in agribusiness.

Artificial Intelligence is shifting the nature of agtech.
Let's work together to use this new technology and increase efficiencies within the cotton industry.

Interview with Kim Hanna, ICA President



Kim Hanna,
President,
International Cotton Association



**International
Cotton
Association**

Cotton Outlook: Many congratulations on your new role as ICA President. You are, of course, the first woman ever to occupy this position in the organisation's 180-year history. Can you tell us a little about your journey from the beginning of your career to this point?

Kim Hanna: Not long ago, the idea that I could become the ICA President is honestly something I never would have imagined. To be the first woman to hold this position is an immense honour. I would like my presidency to send the message that the cotton industry holds limitless possibilities for anyone wanting to learn, succeed and make it to the top of their game. I may be the first woman, but as I look at the changing composition of our board, I know that I will not be the only or the last. Going forward, I hope the many talented women in our industry as well as all our daughters and granddaughters will be able to dream of the things they can achieve with ambition and know that they can someday lead with conviction.

I started in cotton in 1982 as a secretary to Frank Wakefield, who at that time was the president of Edward T. Robertson & Sons. Frank was like the father I had always hoped for. He became my mentor and my sponsor. In the early 90s, a managerial position came open and I asked for the promotion. Initially I was told, "Kim, there will never be a woman manager in the cotton industry." Yet, he gave me the support needed to assume that role. I was given opportunities to network and travel that were not afforded to many women in the cotton industry at that time. Throughout my career it was nothing unusual to be the only woman in the room. In 1995, I attended my first Liverpool Cotton Association Dinner. There were only four female delegates in attendance that year amongst nearly 900 men.

In 2000, my business partner, Peter Barnard, and I opened TransGlobal Inspections. Our office in Rockwall, TX is just outside Dallas. Our first office was a simple affair, a couple of old desks, two computers,



Your partner, every step along the way.



Omnicon Inc.

2400 Lakeside Blvd Suite 610

Richardson, Texas 75082

United States

tel 972 398 0993

www.omnicotton.com | info@omnicotton.com

Omnicon Agri Comercial Ltda.

Rua Helena 285, Vila Olimpia, Conjunto 124

São Paulo, SP Cep: 04552-050

Brasil

tel 55 11 2769 6784


Omnicon Australia Pty Ltd.

Level 1, Suite 18, 101 Wickham Terrace

Spring Hill QLD 4000

Australia

tel 61 417 728440



a phone and fax machine. It had no heating or air conditioning. Anyone who has spent time in Texas during mid-winter or summer will know that is not a pleasant experience. But it has been a wonderful journey. TransGlobal has enjoyed servicing nearly every cotton-producing and consuming market.

Cotton is unlike most other commodities. It is a deeply relationship-driven industry. I have been so fortunate throughout my career to have travelled and met such interesting people. I have always felt the respect and acceptance from all. Not necessarily as a woman... but as a part of the global cotton community. For that, I thank you all!

CO: What are your impressions of how the Association and Trade Event have evolved over that time?

KH: In 1841, a group of local Liverpool cotton merchants came together and created the Liverpool Cotton Brokers' Association, which later became the Liverpool Cotton Association (LCA). They developed a set of trading rules and a successful system of arbitration to settle disputes.

Over the years, the rules and arbitration system have continually been updated as needed to accommodate the changing times. By the early 2000s, over 80 percent of the world's cotton was traded under LCA rules and the Liverpool Cotton Association had become world's leading cotton arbitral body. The Association recognised that its membership and leadership should better reflect all those with an interest in trading cotton so, in 2004 the LCA became the ICA, the International Cotton Association. This is when we began to see all segments of the industry – spinners, agents, controllers as well as merchants from around the globe – join the Association's leadership on the Board of Directors and elected as ICA Presidents. It wasn't until 2019, however, that the ICA Board noticed something was still missing – there were no women at the table. It was in that year that Eimear McDonagh and I were elected to join the board. Four years later, there are five women sitting on the Board of Directors, and the ICA has the most diverse executive team it has ever seen.

CO: You are also one of the architects of the Women in Cotton group administered by the ICA. To what do you attribute the enormous success of that project, and do you have any other ideas that you'd like to develop during your time as president?

Women in Cotton (WiC) has become one of the most dynamic initiatives of the ICA. It has been instrumental in improving diversity and giving women a voice at the board table. But I think it's too early to say that it is an enormous success. We are gradually seeing progress, but there is still a long way to go before women will have equal opportunities in positions of leadership in the cotton and textile sector.

With that said, I acknowledge and applaud the heartfelt passion, relentless ambition, and fearless leadership of the members of the WiC Committee. This group has devoted countless hours of their time towards improving cotton sector diversity, which is a necessity for the sustainability of our industry. The committee's approach to this vital change has been multifaceted. Firstly, it aims to create awareness among the industry's leaders, demonstrate the benefits diversity brings and challenge them to take supportive action. Gender diversity simply cannot be achieved without the support of the industry's predominately male leadership. Fortunately, their support has been overwhelming. Over the past few years, WiC have been invited to deliver this message at global trade association conferences, including ICAC, ACSA, ANEA as well as at the ICA Trade Events. Most of today's cotton leadership recognize that greater diversity brings about better decision making, increased engagement and productivity, better access to finance and greater profitability for their organizations, as well as improved social outcomes for our global industry.

Equally important, WiC focus on providing support to the women in our industry by providing on-line events that support diversity education as well as offering a platform to showcase women in important roles within the industry. Every six weeks, WiC host free online events, called Chats for Change, where women (and men) receive professional development advice from experts such as university professors and

THE NATURAL CHOICE for more than a century



214 W. Market Street, Greenwood, MS • 662-453-6231 • www.staplcotn.com

executive coaches. And Women in Action shines a spotlight on the achievements and contributions of ambitious women in our industry that are an inspiration to us all.

Now that WiC has earned its designation as a permanent ICA Committee, we are working to develop an organizational structure that will offer a strong, sustainable leadership and opportunities for anyone who would like to contribute to the initiative and have a place at the table.

Many readers are already in receipt of, or will shortly be seeing, a survey that WiC has developed in collaboration with the ICAC and the UN Food and Agriculture Organization that is designed to measure women's role in the cotton sector. The survey will be repeated annually and will be an effective tool to gauge the changes over time and to gather useful information about what actions would be most helpful to improve women's ability to contribute to the industry. We invite all supply chain sectors in all producing and consuming regions to distribute the survey to the women in their remit and encourage them to share their views by completing the survey. For more information, or to obtain a link to the survey please contact eimear@agrigirect.com or lorena@icac.org.

Over the next year, WiC will continue to create awareness, and develop new tools to

advance gender diversity. But the benefits of diversity do not stop with gender. In fact, the more diverse an organization, the greater the Diversity Dividend. Using what we have learned, it is important to further embrace diversity with a greater focus on improving the inclusion of the producing, consuming and other supply chain segments of the industry into the membership and leadership of the ICA.

CO: Of course, your presidency is also notable for the fact that you are a member of the inspection community, rather than a cotton trader, spinner or agent. Do you think that background gives you a different perspective on the industry and what might that be?

KH: Definitely. TransGlobal Inspections is an international ICA Member Controller. We are a neutral, third-party, non-biased inspection company specializing in raw cotton. Unlike merchants, spinners and agents, controllers do not have a financial interest in executing contracts. Controllers apply ICA rules (or contractual agreements between parties) while undertaking services relating to quantity, quality, sampling, damage, or weighing. Controllers report the facts. They act as the eyes of their principals, whether they be buyer or seller, and carry out instructions pertaining to loading, devanning, weighing, sampling, damage inspection or warehousing.



M MALLORY
ALEXANDER
INTERNATIONAL LOGISTICS
confidence delivered
on time. with care. everywhere.

***THE LEADER IN
COTTON LOGISTICS
FOR 98 YEARS***

International Air & Ocean Freight Forwarding
Import, Export, Domestic Traffic Management
Global Warehousing Specialist
Samples – Containers – Charters

www.mallorygroup.com

clientservices@mallorygroup.com

Dallas, Texas 972-522-4740

Laredo, Texas 956-717-0674

Memphis, Tennessee 901-367-9400

Hong Kong 852-2321-3200

Shanghai, China 0086-21-6368-0115



Being an independent party, without a financial interest in any cotton contract, is definitely a unique position. A controller must maintain neutral integrity and attention to detail in the course of their inspection work. For this reason, I feel it is natural for me to look to the rules and the facts without bias, when considering rules changes or a party’s adherence to the rules and their contracts.

CO: Turning to the state of the market at present, we have seen a sharp fall in raw cotton prices since May 2022: has that dynamic tested the principle of contract sanctity? Has the ICA seen a substantial increase in the number of arbitrations?

KH: Given the dramatic drop in cotton prices since May 22 and the continued market volatility, the number of arbitration cases is lower than we would have expected in similar conditions prior to Covid. Below are the number of arbitrations since 2019. When we look at arbitration applications over the past decade, 2019 would be considered a “normal” year.

2019	68
2020	110
2021	35
2022	37
2023	30 (at Aug 1, 2023)

Notwithstanding the market conditions over the past 18 months, if we continue to receive arbitration applications at current levels, we are likely to end the year closer to, but slightly below pre-Covid norms.

CO: That sounds very encouraging! To what do you attribute that relatively low figure, given how difficult the period has been for many market participants?

KH: Covid presented challenges we could have never imagined. Through these unprecedented difficulties, our industry did an excellent job working with counterparties to perform their contracts. During these times, the ICA emphasized the importance of timely communication and encouraged contractual parties to have patience, understanding and empathy with their counterparties. This message was promoted by the ICA to its membership and through the many affiliated international cotton

associations, and those with which we have MOUs, as well as our broader network.

Although contractual parties worked hard to perform their contracts during this time, some contracts became irretrievable. This is why we saw an increase in arbitrations in 2020, but without diligent effort from the trade, it could have easily been much worse.

The industry continued to face significant challenges through 2022/23, especially in light of the volatile market conditions and logistics constraints. But by and large, the trade have managed to work through the conflicts as evidenced by the extremely low numbers of arbitrations throughout 2021 and 2022.

Today’s numbers look very good. However, we need to continue to be vigilant with difficulties in contract execution. Counterparties typically try to work through their differences for some time before resorting to arbitration. If the ICA continues to receive applications at the current rate, it is possible that 2023 will look closer to the pre-Covid levels.

Given the challenges the industry has faced over the last four years, the resolutions arrived at through amicable means say a lot for the resilience of our relationship-based industry. Of course, when negotiations fail, we will always need a fair and efficient method of resolving conflict, but creating a safe trading environment where zero arbitrations are needed should be the ultimate vision.

CO: Lastly, what are you most looking forward to during the year, and what do you think the greatest challenges might be – for you as ICA President, for the Association and/or for the industry?

KH: Throughout my career, I’ve witnessed the industry prove its strength and resilience time and time again. However, today, we are experiencing one of the biggest challenges the industry has ever faced. We must stay relevant in textiles. We are facing challenges from various pieces of environmental and social legislation soon to be in place or already enacted in certain sectors. Brands and retailers are increasingly being required to prove the social and environmental impact of their products through

American Cotton Shippers Association

100 YEARS

1924 CENTENNIAL 2024

The Phoenician, Scottsdale, Arizona June 13-15, 2024

PLEASE VISIT WWW.ACSA-COTTON.ORG FOR MORE INFORMATION.

transparency in their supply chains. It is imperative that we work together with all cotton stakeholders, to positively influence legislative decisions, educate on and support the implementation of environmentally friendly farming practices and develop standards for traceability that can ultimately provide the stamp for ethically and sustainably produced cotton.

For the Association, I would like to continue the drive towards inclusiveness. I've learned invaluable lessons about what can be achieved through creating a diverse and inclusive environment. The Association began this journey when it became the International Cotton Association in 2004. Two decades later, in some ways, the ICA is still perceived by some to favour members of certain trade segments. However, I can

say that the ICA has made enormous strides in aligning the Rules and Bylaws with their mission *"to protect the legitimate interests of all those who trade cotton, whether buyer or seller."* Over the next year, I would like to encourage membership and engagement from all supply chain segments. Whether you are a merchant, spinner, producer, agent or a service provider to the global cotton trade, the ICA is YOUR cotton association. I want to encourage people to know and understand the Bylaws and Rules, communicate their industry segment's or region's needs, and become more involved. When all supply chain stakeholders are engaged, the Association will be in a stronger, more resilient place to best protect the interests and continued sustainability of everyone in our wonderful world of cotton.

Encouraging engagement with the ICA



Bill Kingdon,
Managing Director,
International Cotton Association

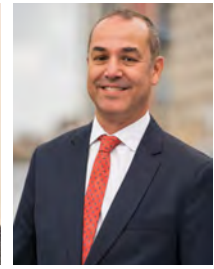
Despite uncertain economic times that are exacerbated by the impact of conflict, international tension and natural disasters, it is reassuring to see that the ICA is continuing to go from strength to strength. This year we have achieved a new milestone: for the first time we have 650 members. We have achieved this despite a slow-down in demand for textiles. We believe that this is a good measure of the health of your Association.

As you know, the ICA mission is to protect the legitimate interests of all those who trade cotton, whether buyer or seller. This mission has endured through the market storms of recent decades. It is built on a shared commitment to safe trading based on clear, relevant international cotton trading rules; a commitment to promote fair and equitable trading; and this is supported by a balanced and objective dispute resolution mechanism.

As a membership association, we depend on the energy, talents and commitments of our members. We are particularly pleased that Kim Hanna is to become the ICA's first

female President this month. We are very fortunate to have great cotton experts from across many cotton regions who commit their time and talents to support the aims of the ICA. In particular, we would like to recognise the contributions of those who chair ICA committees: Andy Mitchell (Rules), Eimear McDonagh (Members and co-chair of 'Women in Cotton'), Nick Hungate (Arbitration Strategy), Sarker Sohel (Spinners) and Vibhu Nath (Value Differences). Leon Picon has recently agreed to chair the Quality Arbitration Strategy committee. These six individuals well represent the diversity of the ICA, both in terms of their different sectors and regions. The time and energy given by these individuals to shaping the agenda and managing outcomes has a huge, positive impact on the ICA and their individual engagement is greatly appreciated.

Tim North (ICA President, 2022/23) and I recently visited Brazil to see at first hand the energy, scale and organisation involved in Cotton Brazil. We travelled widely, seeing cotton production and meeting producers' associations in Mato Grosso and Bahia,



ICA committee chairs from left to right: Andy Mitchell (Rules), Eimear McDonagh (Membership/co-chair of Women in Cotton), Nick Hungate (Arbitration Strategy), Sarker Sohel (Spinners), Vibhu Nath (Value Differences), Leon Picon (Quality Arbitration Strategy).

as well as joining ANEA for their annual conference and meeting with ABRAPA in Brasilia. This was the first ICA visit to Brazil since 2018. Already a major international cotton exporter, Brazil may soon be competing for top spot. It is great to see at first hand the progress that is being made here and to meet the many innovators who are leading the cotton industry in Brazil. This visit would not have been possible without the organising skills of Fabiana Furlan (Scheffer Group) – ICA Regional Director for Brazil.

Engagement has been a key focus of the ICA in recent months, with the development of a Late Action Group, Membership Working Group and a Retailers & Brands Working Group – all developed to ensure the ICA is engaging with members as it works towards its mission.

The Women in Cotton Working Group has become a permanent committee during this year. The change recognises the power of this initiative and all those involved, and the need to continue this level of engagement on a permanent basis to help increase



gender diversity amongst the cotton industry. With five female directors currently serving on the ICA Board (a 19-percent increase in female representation amongst ICA committees and working groups) and a busy schedule of Women in Cotton events, the committee is demonstrating its impact.

Additionally, the ICA has been striving to encourage engagement through its training courses. Dr Robert Jiang (ICA Business Operations & Development Manager) has visited Vietnam, Bangladesh and China this year to deliver Trade Matters training alongside industry experts. The training focused on all elements of trade and quality matters – from contract performance and dispute settlement to cotton quality standards.

For the first time, demand was so high for the ICA's annual Complete Cotton training in 2023 that two programmes were run in Liverpool, UK to meet the needs of the cotton community. Twenty interactive training modules from more than 30 industry experts were delivered to a total of 60 delegates.

Our joint venture company, ICA Bremen, also delivered its annual Cotton Classing & Testing training in Bremen, Germany. ICA Bremen continues to strive and prove itself as an international centre of excellence for cotton quality matters. Jens Wirth joined the team as Quality Manager Cotton, bringing with him over 20 years of cotton experience.

This year also saw two laboratories certified under the ICA Bremen International Laboratory Certification Scheme: Thrakika Ekkokistiria and Wakefield Inspection Services India Pvt. Ltd. This latter installation is particularly significant as it is the first certified laboratory in the subcontinent.

Engagement will remain a core focus for the ICA, and delegates of Singapore 2023 will be introduced to a survey on the event app, via which feedback will be gathered on the ICA's activities and mission – we encourage engagement and hope to hear your views so we can lead your Association in the right direction.



60 successfully 'Complete' Cotton training



International
Cotton
Association

The ICA's Complete Cotton is a unique opportunity for individuals from the cotton community, or those new to the industry, to learn about the raw cotton trade from some of the world's leading professionals by signing up to this popular training programme.

For the first time ever this year, demand has been so high that two Complete Cotton programmes were run to meet the needs of the cotton community, one in April and one in May. Twenty interactive training modules from 30+ industry experts were delivered to a total of 60 delegates. Delegates represented 18 countries from 11 different sectors and a record 35 percent of those attending were female.

The feedback from both Complete Cotton courses was extremely positive, with 100 percent of delegates agreeing they had benefited from attendance and recommending the training programme to their colleagues. Furthermore, 84 percent said their overall assessment of the training was 'excellent', with those remaining rating it as 'good or above'.

One delegate who benefited from the training said: *"It was great hearing from passionate professionals throughout the industry, not only from farming but also selling, buying, and spinning. Most presenters are developers in their fields and it makes it easier to be engaged with the topics."*





Another delegate added: *“What I liked the most was getting to develop relationships with people from different areas in the cotton industry and from all over the world. The meetings were very informative and I learned a lot from this experience.”*

The 10-day training programme focuses on key areas of the raw cotton trade – from growing to spinning and everything in between, providing practical experience and an opportunity to share best practice. It is aimed at individuals of all ages from within the cotton community – producers, ginners, exporters, merchants, agents, importers, spinners and other allied trades.

To find out more about Complete Cotton and next year’s programme, visit: www.ica-ltd.org



Key indicators of world cotton mill use - why demand forecasting has become more difficult



J. Berrye Worsham,
President and CEO,
Cotton Incorporated

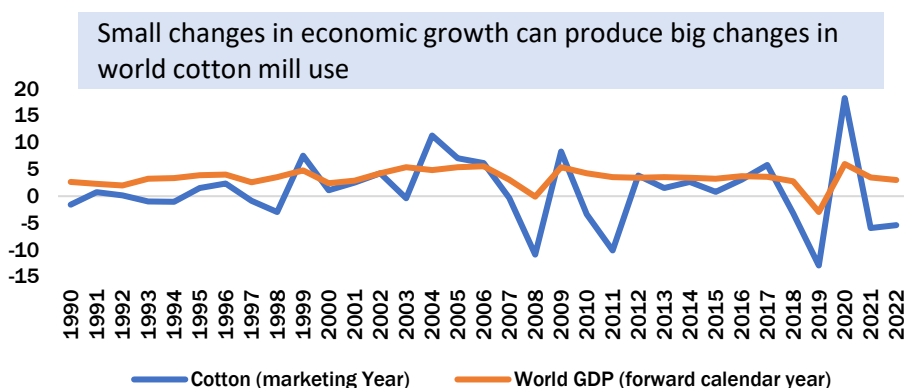
Global cotton mill use has been in the doldrums for the past two years. According to USDA estimates, world cotton use fell to 110.5 million bales (480 lbs) in the 2022/23 crop year, 10.4 percent below the most recent peak in 2020/21. Furthermore, the variation in year-to-year demand appears to be more volatile in recent years compared with long-term averages. What are the key drivers of mill use and what do they tell us about the 2023/24 year as well as longer-term prospects?

Over the longer term, world consumer demand is roughly the same as world mill use. But in the short term, mill use changes may reflect both variations in consumer demand and adjustments to supply-chain inventories. For example, when economic growth slows, pessimism tends to increase, which leads to less willingness to hold inventory at the various stages of processing and at the retail level. This usually results in a bigger change in orders with mills compared to “true” retail demand. The

converse is also true when economic prospects begin to improve.

Cotton mill use is influenced by three key, measurable economic and price indicators as well as outlier conditions (fashion, fabric weights, disruptive economic events, product mix changes etc.).

World cotton mill use vs. world GDP growth



Source: USDA & International Monetary Fund (IMF)

Cotton Incorporated's multi-variant model has been used to determine the impacts of these various major indicators.

Consumer income

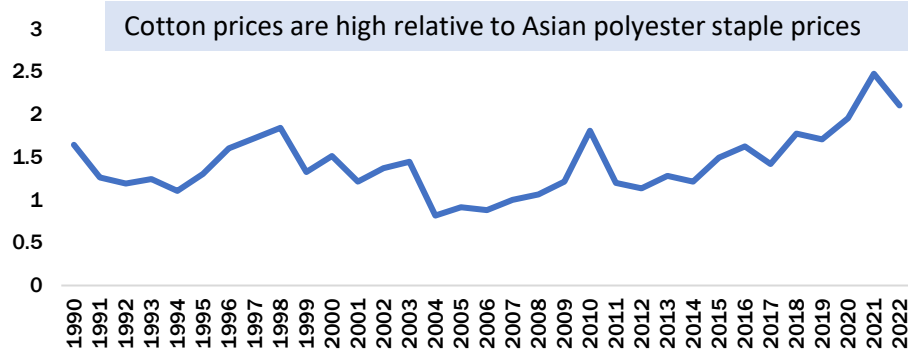
Cotton is primarily sold for use as a component in clothing and home furnishings. These two end-use markets represent 95 percent or more of the total demand for cotton.

Like other consumer goods and services categories, demand is driven by inflation-adjusted income, or "real" income. On a global level, real income growth is approximated by looking at global real GDP. World GDP growth averaged 3.7 percent from 1969 to 2008 but has averaged only 3.1 percent from 2009 to 2022 with the last four years averaging a dismal 2.3 percent. Two major events significantly contributed to below-normal growth since 2008: the global financial crisis of 2009 and the COVID pandemic that led to factory shutdowns in 2020 and 2021. Over the long-term, a one-percent change in global economic growth leads to a 0.4-percent change in world cotton mill use.

Business cycles

Just as income levels are critical for cotton demand, changes in the rate of income growth can be a determining factor in whether brands and retailers are more or less willing to hold inventory. Over the long term, economic growth is relatively constant, but shorter-term periods of deceleration affect textile mill use more negatively while accelerating growth leads to an additional boost in mill orders. Economic stimulus at a global level led to a six-percent growth rate in 2021 but it then cooled to 3.5 percent in 2022 and is expected to reach just 3.0 percent in 2023

Ratio: Cotlook 'A' Index vs. Asian Polyester Price (marketing year)



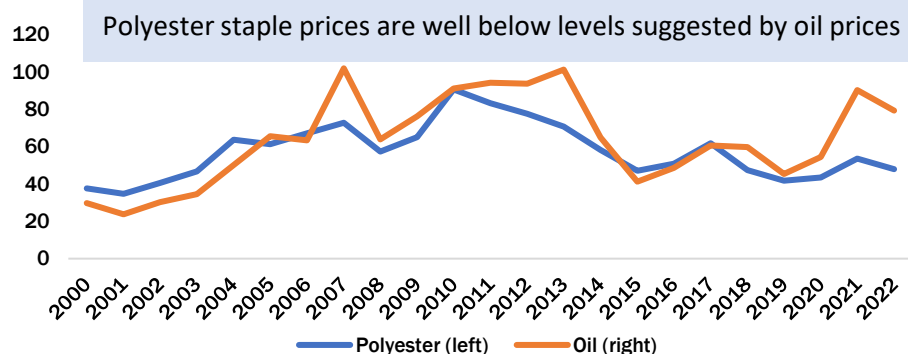
Source: Cotton Outlook & various sources for polyester price

and 2024. Declining rates of growth have been a contributing factor to weak textile demand over the past few years.

Relative fiber prices

Cotton is one of several fibers used in the composition of apparel and home furnishings products. The relative price of cotton versus alternative fibers has always been a key factor in cotton demand. This tends to affect demand with a one-year lag, so changes in the current year will tend to influence demand in the following year, as product orders tend to be placed well in advance of the season. The Cotlook A Index, produced by *Cotton Outlook*, is the best indicator of the world cotton price. *Cotton Outlook* also reports on Asian polyester prices, which are used as a proxy for alternative fiber prices. From 1990 to 2009, the cotton/polyester price ratio averaged 1.3. That ratio soared in 2010 and has since averaged 1.6 from 2010 to 2022 – well above the 1989-2009 mean. In fact, over the past four years, the ratio has averaged

Asian polyester price vs. oil prices (marketing year average)



Source: Emerging Textiles, Federal Reserve

2.0. Polyester prices have been well below the levels that would be expected based on the price of oil and the price of cotton. As a rough rule of thumb, a 10-percent change in the price ratio of cotton to polyester changes cotton mill demand by about 1.5 to 2.0 percent in the opposite direction.

Outlier factors

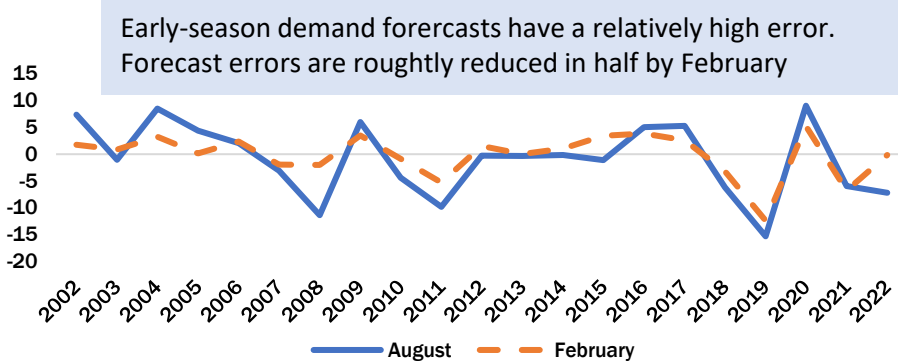
Brands and retailers are constantly looking for “newness” in the market. Fashion changes can be cyclical just like economic conditions and are also very difficult to predict. For example, a strong

denim market tends to be more favorable to cotton whereas trends towards athletic apparel tend to be more of a negative for cotton. Furthermore, over the past 15 years or so, there has been a longer-term trend towards lighter-weight fabrics in apparel which means less fiber needed per square-meter of fabric.

Extraordinary events such as the financial crisis of 2008-2009, Covid lockdowns in 2020 and 2021, large government stimulus packages aimed at boosting economies following both of these shocks, China’s rapid expansion of textiles production in 2004-



USDA forecast error for world cotton mill use (August and February forecasts)



Source: USDA, Marketing Year

2007, and the aftermath of the cotton price spike in the 2010/11 crop year, can also create deviations from normal relationships between cotton demand and general economic and price factors.

2022 period, the mean error (irrespective of direction) was 5.4 percent for the August projection. However, the error has exceeded the long-term average in each of the past five years. Using February as a mid-season

USDA forecasts

The difficulty in forecasting world cotton mill use can be measured statistically by comparing early-season and mid-season forecasts with final demand results. The USDA publishes their estimates each month and data are archived to 2002.

During the 2002 to



“Your contact in Greece”

NICOT
Parthenonos 1-3
Nea Erythrea 14671
Athens, Greece
Tel: +30 210 8000007
Email: info@nicot.gr



Greek & Egyptian cotton broker

forecast, the average error drops to three percent, but over the past five years the error has been nearly twice that. The volatility in economic conditions has undoubtedly contributed to higher early-season and mid-season forecast errors for those engaged in forecasting cotton demand.

The bounce-back factor

As indicated earlier, shorter-term cotton demand at the mill level is not necessarily the same as demand for retailers. The periods in which mill-level cotton demand has contracted for two consecutive years have generally been followed by a significantly above-average level of demand in the following year, due in part to pipeline refilling. There have been seven occurrences of this since the 1960s. The average two-year decline in world cotton mill use was -7.8 percent in those years, and was then followed by an average recovery year of 7.3 percent, about five times greater than the longer-term growth rate in cotton demand. The average GDP growth rate applicable to the recovery years was also well above average.

Short-term outlook

The August USDA forecast of world cotton demand for 2023/24 was 116.9 million bales, 5.8 percent higher than in 2022/23. While the current global economic conditions do not seem to support such a recovery at present, the forecast is entirely possible if

the situation improves beyond the IMF's three-percent forecast for the 2024 calendar year. This forward calendar year economic growth rate is statistically more relevant in mill use forecasting than the current calendar year. Cotton could get an additional boost as the cotton/polyester price ratio declined in 2022/23 (although it remains high) which should stimulate demand in 2024/25.

Long-term outlook

Using the IMF's long-term economic projections and an assumption that the cotton/polyester price ratio will remain higher than historical averages, world cotton mill use could reach 133 million bales per annum over the next decade. This projection is based on a multi-variable demand model that includes income, GDP growth, and relative price. The forecast would represent a 1.4-percent annual rate of growth from the USDA's current 2023/24 projection. While this may seem high, it should be noted that the growth rate is calculated from a below-normal demand level. The forecast also assumes no major disruptive events and some improvement in global cotton yields, which have been relatively stagnant over the past decade. The possibility remains for stronger numbers if the world cotton industry can seize upon opportunities in sustainability, supply-chain traceability, and product circularity to enhance competitiveness with other textile fibers.



TIM NORTH
CONSULTING

**Chemin des Etourneaux 27,
1162, St-Prex,
Switzerland**

Tel: +41 79 554 57 26

Email: Tim@TimNorthCotton.com

Website: www.TimNorthCotton.com

Traceability in the cotton chain



Arnold Waters,
Cotton Services Business Lead,
Alfred H Knight

It is over twenty years since the USDA introduced the Permanent Bale Identification (PBI) system. We have grown so accustomed to the bar code revolution in stock control that it seems hard to contemplate life without them, even for those old enough to remember the use of stencils to ink on details to bale wrappings.

Technology has not stood still, and anyone who used to play fast and loose with weight, quality, crop year and even growth will have found the advances challenging. Which prompts the following question: does traceability within the cotton supply chain open up new and exciting possibilities, or is it an additional cost that restricts the very freedoms and options that traders utilise? Your answer to this question may depend on where you sit within the cotton food chain.

Current traceability

Progress has been made in Radio-Frequency Identification (RFID) so that it can be incorporated in the bale wrapping on the cotton harvester and maintained through the gin to be attached to the bale. Quick Response (QR) codes on bales can allow you to view instantly on a mobile phone not just the bale's HVI details and gin weight, but maps of where it was ginned and where it

has subsequently been scanned, with the relevant dates and times. Once a bale arrives at a mill, however, it is placed in a laydown with other bales selected not on location but on quality criteria. To use a whisky analogy, yarn is a blend rather than a single malt, and although no whisky producer would countenance blending Scottish and Japanese whiskies, a spinner would have no such concerns.

To go beyond the spinning mill, most current traceability schemes are centred on Software-as-a-Service (SAAS) cloud-based platforms, which replace a paper trail with an electronic record. Customers specify the data they need and this data is certified by



ALFRED H KNIGHT

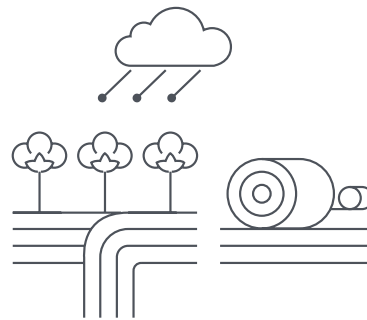
Inspect. Test. Trust.

COTTON SERVICES



From field services and crop quality assessments to destination controlling services.

Alfred H Knight supports the cotton supply chain through independent inspection, precision agriculture and traceability services. Our experts operate globally, throughout the supply chain and are dedicated to delivering detailed commodity profiles that accurately reflect the quality, quantity and provenance of raw cotton assets.



01

Origin field mapping & yield benchmarking

Bale storage inspection - condition and damage

Responsible sourcing/origin to destination traceability

02



03

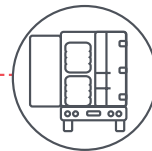
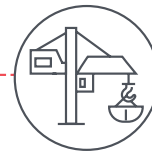
Pre-shipment sampling & analysis

Supervision loading/unloading operations

Seal-breaking, devanning and tallying (SDT)

Weighing & sampling services

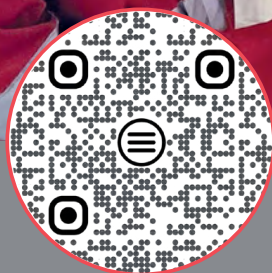
Direct bale scanning and real time reporting



04

Warehouse and storage inspection

Bale condition and verification at destination



Please scan the QR code to learn more about our cotton services.



digital and physical audit providers. These records should enable a retailer to trace the cotton in their apparel back through the chain all the way to the farm. There are a number of competing options, some using blockchain technology such as Brazil's *SouABR* scheme to increase confidence in their validity.

It is because of the complexity of the textile chain that the mass balance approach has been adopted, as seen with BCI and organic certification. This is a sensible compromise that hopefully rewards those meeting the criteria, without restricting the efficiencies of the textile trade. How well understood such approaches are by the public is debatable: would a consumer be quite so willing to pay a premium for an article of clothing if they appreciated that it may not actually be made from organic cotton?



True traceability will identify when, where and how a product is grown, and this goal requires a combination of different technologies and services employed at critical touch points in the supply chain.

Those aware that electronic platforms are only ever as good as the data uploaded to them have sought more physical means of establishing the origins of the cotton in hand. The mineral take-up by plants of a particular species will vary according to the soil in which it grows. This gives the fibre a chemical fingerprint. Just as in *A Study in Scarlet*, in which story Sherlock Holmes could identify from the soil on a pair of trousers where someone had been, science can now identify the origin of a crop. This is

a matter of proving a positive and it requires a database to be compiled of those origins that want their authenticity proven. These databases are being developed and once established, the costs of performing these tests will reduce. Others have approached this problem by adding a chemical pigment to fibre that can be scanned in the final garment. As cattle were once branded to deter rustlers, cotton can now be branded to prove authenticity.



Demand for traceability

Currently there are three main drivers for traceability: consumers, governments and brands.

LDC.

Louis Dreyfus Company

Global Expertise, Local Service

Louis Dreyfus Company is a leading merchant and processor of agricultural goods.

As global leaders in cotton merchandizing, we source from all major producing countries and serve all key consumer markets globally.

Our teams are on call around the clock, thanks to our trading offices and strategic relationships around the world.

We leverage our global reach and extensive network of logistic assets to deliver for customers around the world – safely, reliably and responsibly.

For more information, visit www ldc.com

Main Offices

Louis Dreyfus Company Cotton LLC
(DBA – Allenberg Cotton Co.)
Cordova, Tennessee, US
T. +1 901 383 5000

Louis Dreyfus Company Cotton LLC
(DBA – Allenberg Cotton Co.)
Fresno, California, US
T. +1 559 485-0836

Louis Dreyfus Company Cotton LLC
(DBA – Allenberg Cotton Co.)
Lubbock, Texas, US
T. +1 806 747 7836

Louis Dreyfus Company Suisse S.A.
Geneva, Switzerland
T. +41 58 688 2700

LDC Tarım Ürünleri Ticaret Limited Sirketi
Istanbul, Turkey
T. + 90 212 296 60 55

Louis Dreyfus Company Brasil S.A.
São Paulo, Brazil
T. +55 11 3039 6700

LDC Argentina S.A.
Buenos Aires, Argentina
T. +54 11 4324 6900

LDC (China) Trading Company Limited
Beijing, P.R. China
T. +86 10 5869 3666

Louis Dreyfus Company Asia Pte Ltd
Singapore
T. +65 6735 9700

Louis Dreyfus Company India Pte Ltd
Haryana, India
T. +91 124 462 5600

Louis Dreyfus Company Pakistan (PVT) Ltd
Karachi, Pakistan
T. +92 343 207 4145

LDC Enterprises Pty Ltd
Brisbane, Australia
T. +61 7 3253 5999

YOUR
TRUSTED
PARTNER

SINCE

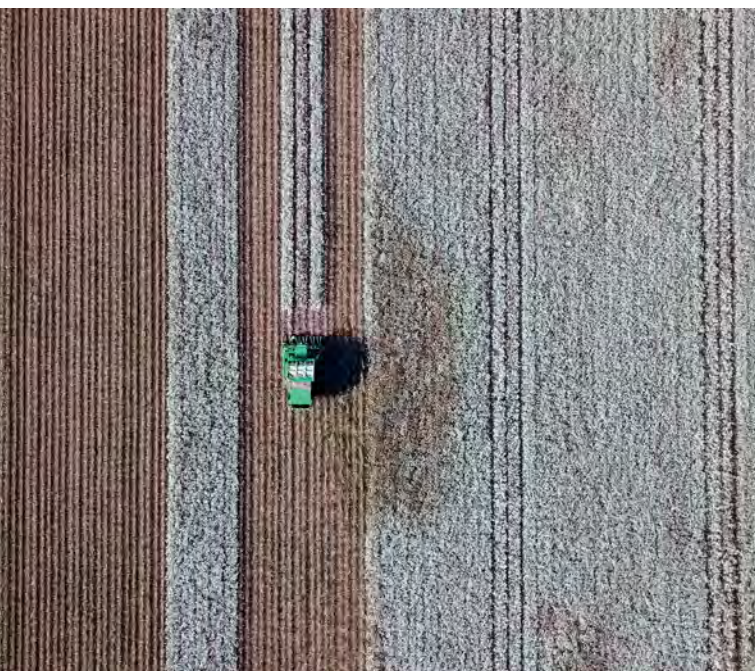
1851



The consumers are educated affluent individuals for whom ethical considerations are a key part in their patterns of purchasing. This is clearly a minority, but few would bet against this being a growing number. Against this, we are in a period of high inflation, with squeezed disposable incomes. In this environment, will ethical considerations diminish and these consumers decide to hold their noses and buy on price? About 65 percent of cotton produced is used for apparel, with home furnishings the second largest user. Are ethical consumers as concerned about the derivation of their home furnishings as they are on their fashion? Brands in clothing can link to consumers' values, identity and aspirations perhaps in a way terry towels do not.

There is a sense of cynicism for many about the concept of ESG (the term 'greenwashing' is well known); however, legislative pressures may force compliance. What seems burdensome and restrictive now may come to be seen as the norm in the future. Those companies that embrace the changes will be well placed to grow in the future; those who take a more luddite attitude may become marginalised. Clearly, as more producers meet the higher standards, the premium obtainable may diminish, but if this standard becomes a norm, those that fail to comply will surely be heavily discounted.

Retail companies spend huge amounts of money to establish their brands. They need to be aware of all potential risks to their value. Social media can quickly disseminate information that can erode hard-won reputations. We are aware of the potential pitfalls within our trade. Starting at the farm level, environmental degradation – be that through deforestation, poor irrigation, or poor farming practices with regard to the use of chemicals – plus child exploitation and even political concerns as to the country of origin may all pose a risk to a fashion brand's reputation. The spinning and weaving and ready-made garment (RMG) sectors can present environmental, ethical and political concerns, such as the disposal of waste from textile dyes, the use of child labour, sexual exploitation of workers or even sourcing material from an



ICA defaulter! There are good reasons for retailers to know the provenance of their stock.

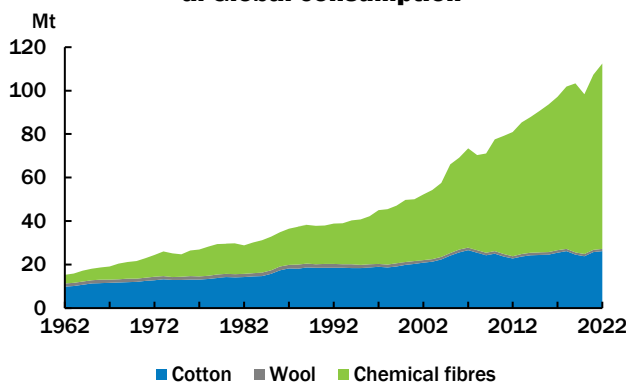
Future trends

The trade has seen a steady increase in contractual parameters. Adding to the lengthy list of quality metrics are environmental, social and governance (ESG) criteria, such as organic and BCI descriptions. The ICA's Value Difference Committee has yet to publish differences for such criteria, yet they are already actively discussed in arbitrations. Next will come cotton grown using regenerative practices. Each new parameter lessens the freedom a trader has.

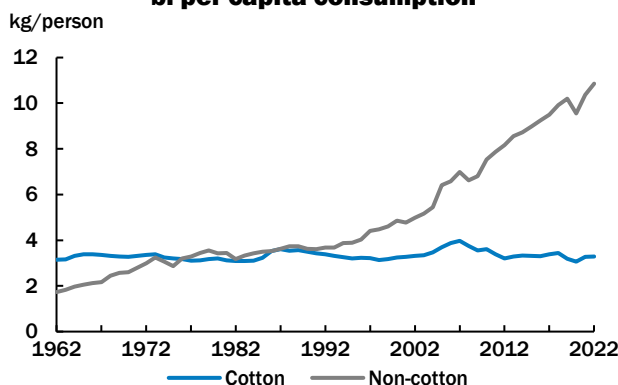
Once established, contractual parameters are seldom removed. Data is so easily transferred that it seems unlikely the demands for transparency are going to abate. The trade must decide whether it wants to embrace traceability and sees it as adding value to their offer, despite its added frustrations. There will be parties who are caught out by new technologies and reputations damaged. There may even be some legal claims if parties can be shown to have knowingly misled buyers as to the provenance of goods. It would be reckless to have a stock management system that is unable to cope with both current demands for ESG information and some capacity to add further parameters.

As costs come down, it may no longer just be a select few brands that strive to prove provenance. Campaigners will be able

a. Global consumption



b. per capita consumption



to test and hold all brands and retailers to account. This will force those retailers to be more proactive in their use of traceability. The likelihood is that traceability will only become a bigger issue for the trade.

Winners and losers

A farmer striving to farm sustainably, adopting regenerative practices, will want to receive a premium for his or her cotton.

Such a premium is much easier to achieve if cotton can be traced reliably through the chain. Brands whose images remain untarnished due to the use of traceability to inform their sourcing decisions will also be winners.

However, it would be wrong to identify farmers and retailers as the only parties benefiting from traceability. Those engaged in manufacturing with high environmental or employment standards will clearly see an advantage in their products being traceable, if this makes them more attractive to end users.





COFCO INTL

We are a global agri-business and a worldwide cotton trader

COFCO International is committed to supporting the sector-wide push for more sustainable cotton. We seek to contribute to lowering the environmental impacts of cotton cultivation and improving the livelihoods of smallholder farmers.

Find out more :
cofcointernational.com

Grains



Oilseeds



Sugar



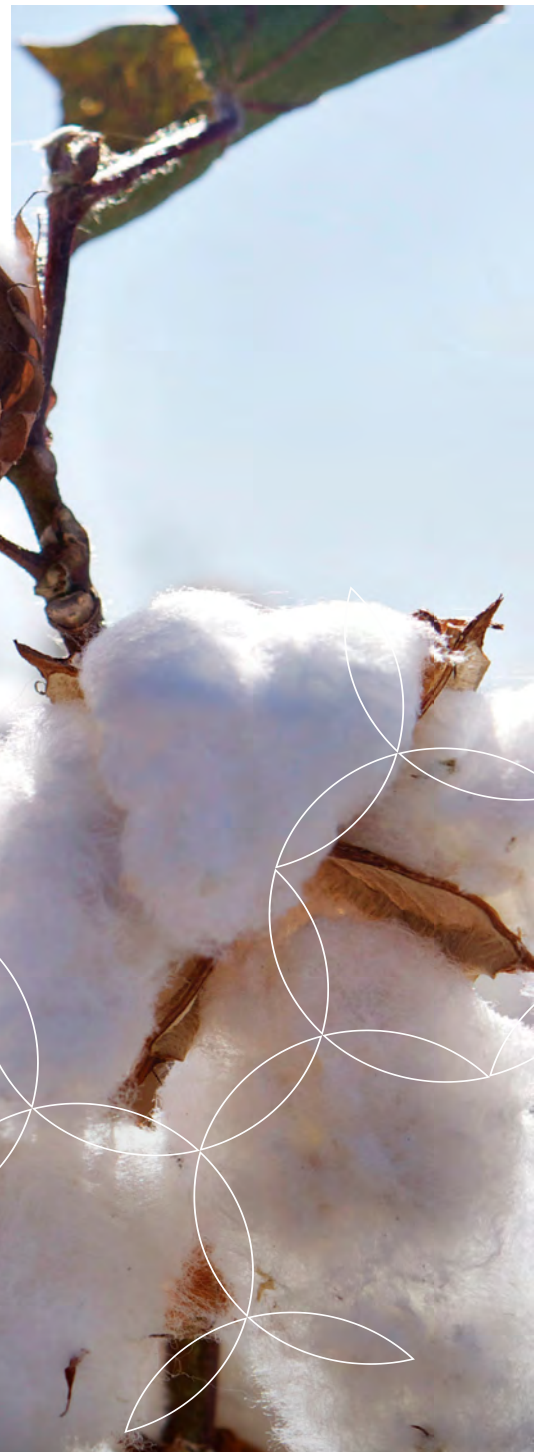
Coffee



Cotton



Freight



There are multiple approaches to traceability and the market is open to new entrants. This reflects the current lack of a clear vision of what traceability means in all contexts. Different organisations have different needs. Whether consumers will understand the plethora of approaches is another matter. Once one scheme achieves a critical mass, it may prove very difficult to dislodge it with a better one. Such battles will inevitably result in valid approaches being lost to expedience.

As for other losers, there is an argument that in seeking to achieve a premium for one type of cotton, the overall brand of cotton is damaged. If this shirt is made from BCI cotton, what sort of cotton makes that one? The implication is a negative one.

Given that cotton consumption per capita has been relatively flat for a number of years, should cotton producers be looking to differentiate by implying there are inherent problems with the generic product? In a very competitive market, we need to appreciate that the real enemy is

not the other farm, merchant or spinner, but the man-made fibres market. Imagine the publicity if polyester was involved in carbon capture and was bio-degradable!

Cotton carries with it a dark history of slavery and exploitation, it has been an easy target for its use of pesticides, water and child labour. It may be that only by facing up to its past will we eradicate bad practice and build a secure sustainable future and be in a position to take back market share from synthetics. If traceability can remove the bad from our industry, it may be a price well worth paying.

Sources

<https://www.fashionrevolution.org>

<https://www.ilo.org>

<https://www.remedymarketing.co.uk>

<https://www.theguardian.com>

<https://soudealgodao.com.br>

<https://www.fashionrevolution.org>



FARM TO FASHION

All Growths Import & Export



Amit

COTTON INDUSTRIES



RAJKOT, GUJARAT, INDIA

Web.: www.amitcotton.com | **E-mail :** amit@amitcotton.com

Mobile : 919879517072

