

Cotton Outlook

Pakistan 2016



ICAC | 75th Plenary Meeting | Islamabad | Pakistan



COTTON USA™

Purity of fiber.
Quality of fabric.
Responsibility for the planet.

Find out more at cottonusa.org.

Introduction



MR. MIKE EDWARDS,
Editor, Cotton Outlook

Cotton is the mainstay of Pakistan's economy, of crucial importance as a contributor to rural incomes, and as the principal raw material for a textile and clothing sector, whose importance to the country's present and future economic prospects cannot be overstated.

Pakistan has also played a pivotal role in shaping the recent dynamics of the regional and global raw cotton markets. The country has followed the trend of many other major cotton producers, in which the growth of domestic mill consumption has outpaced the capacity of the national crop to meet spinners' needs. Since this structural import requirement has emerged, Pakistan has thus been a net importer for many years.

A crop failure in 2015/16, due principally to adverse weather and pest attacks, raised that requirement to proportions that could scarcely have been foreseen at the start of the season, when for a time Pakistan's export offers were amongst the most competitive in circulation in the international market. The country places no quantitative constraints on either imports or exports of raw cotton. Last season's increased import demand from Pakistan was one of

several factors that contributed to a strengthening of international raw cotton values during the later months of the 2015/16 season.

It is clear from the contributions to this publication from distinguished figures in Pakistan's cotton industry, that its various segments confront significant challenges. The research sector seeks technical solutions that will protect the crop from the ravages of pests and disease, and thus safeguard and improve productivity. Textile mills are fighting to hold their own in an intensely competitive international trading environment. And producers - like their counterparts in so many countries that lack the means to provide an effective safety net in times of depressed prices - are constantly vulnerable to the vicissitudes of the world market.

Some or all of the foregoing issues will be all too familiar to participants in this year's ICAC Plenary Meeting. Pakistan's vocation as a cotton producer, consumer, exporter and importer renders the country a fitting host for the deliberations of the ICAC Plenary Meeting, this unique forum for discussion of the challenges facing cotton early in the 21st Century.

Page design and layout by Pam Jones, Cotton Outlook.

Cover image derived from Pakistan Monument photograph by Isharpk

Published by : Cotlook Limited, Outlook House, 458 New Chester Road, Rock Ferry, Birkenhead, Merseyside, CH42 2AE, U.K.

Tel : 44 (151) 644 6400 Fax : 44 (151) 644 8550 E-Mail : editor@cotlook.com

World Wide Web : 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.

The Growth Pattern of Cotton and its Significance to the Economy of Pakistan



DR. MUHAMMAD ALI TALPUR,

Director, Directorate of Marketing & Economic Research, Pakistan Central Cotton Committee, Multan

Introduction

Pakistan is the ancient home of cultivated cotton, excavated at Moen-jo-Daro in Sindh, Pakistan. The first indication of cotton use was found in the sub-continent and dates back to 6000 B.C. Fragments of cotton cloth were found in the Indus valley, so it is generally perceived that cotton was first cultivated in the Indus delta and its type was Asiatic (Desi), popularly known as *Gossypium arboreum*. In 800 A.D., Arab merchants brought cotton to Mesopotamia, Egypt and Europe. By 1500 A.D., cotton fibre was generally known around the world^[1].

Today, cotton is one of the most valuable and extensively produced agricultural and industrial crops all over the world. It is cultivated in more than 100 countries, covering around 2.5 percent of arable land in the world, and is traded among more than 150 countries. Over 300 million families are engaged in the cotton industry, including secondary services like storage, transportation, ginning and baling.^[2]

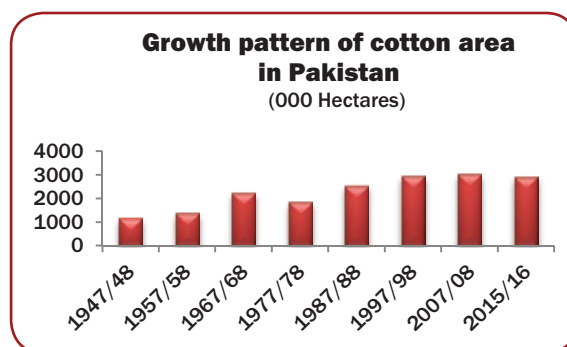
Cotton, being a cash crop, is the mainstay of Pakistan's economy. It contributes about 1.5% to GDP and 6.7% to total value addition in agriculture.^[3] Pakistan is the 4th largest cotton producer, 3rd largest consumer of cotton and 2nd largest exporter of cotton yarn in the world.^[3] Cotton is sown on an area of around 3.0 million hectares by more than 1.4 million farmers. Punjab is the main cotton producing province, and accounts for 80% of total cotton area and 73% of total cotton production, whereas Sindh represents about 20% of cotton area and about 28%

of production. Cotton production supports Pakistan's largest industrial sector, comprising some 450 textile mills, involving 40% of industrial labour.^[3]

Cotton growth pattern in Pakistan

The planted area showed an increasing tendency over a long time, except in some years, partly due to economic and natural factors. The area increased due to the profitable return to cotton growers, introduction of new seed varieties, better and latest mechanized land preparation techniques and efficient plant protection measures.

Figure I:



Pakistan has improved its cotton production, yield per acre and quality over the past several years, through comprehensive programs of cotton research, integrated pest management strategies and developing synergies with the world of cotton research. With the expansion in acreage and increase in yield, production has shown an upward trend

throughout the crop pattern of Pakistan. In 1947-48, cotton production of Pakistan was 1.106 million bales and 13.98 million bales in the year 2014-15.

Figure II:

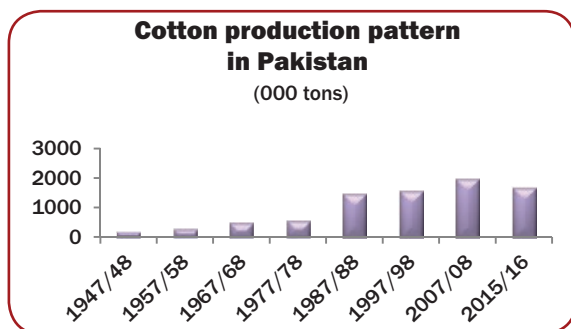


Figure III:

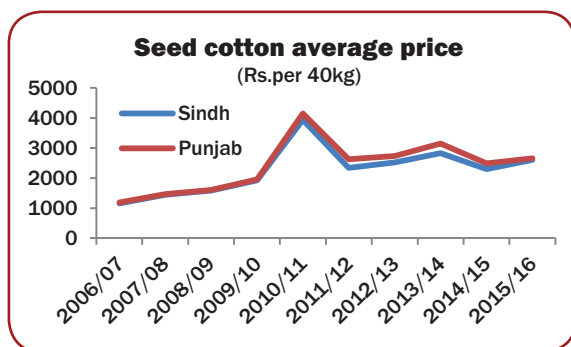


Figure IV:

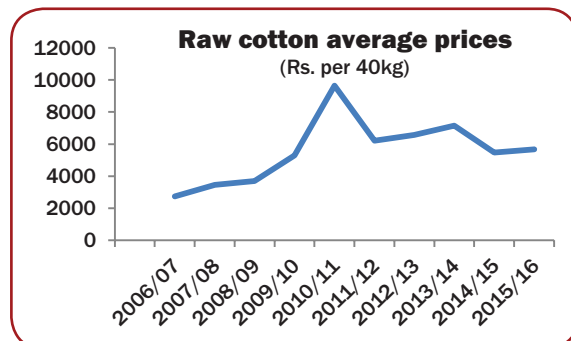
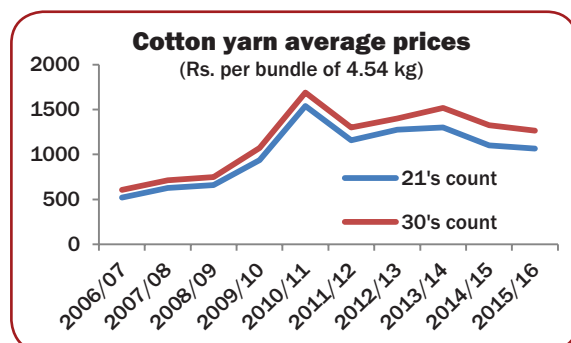


Figure V:



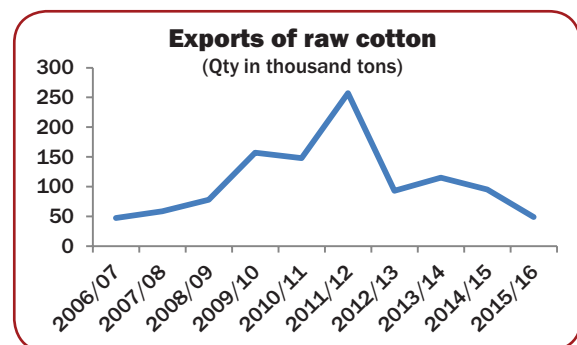
Exports and Imports

Exports

Trade is the key factor in the economic development of any country. It contributes to economic development and creates absolute gains

for the country. Cotton and textiles trade is the backbone of the economy of Pakistan. Exports from Pakistan consist of raw cotton, cotton waste, cotton yarn and cotton cloth. Pakistan exported 0.606 million tons of raw cotton, 0.14 million tons of cotton waste, 2.91 million tons of cotton yarn and 3,052 million square meters of cotton cloth during the last five years.^[4] Exports of cotton and its value added products contribute around 54 percent to earnings from total exports.

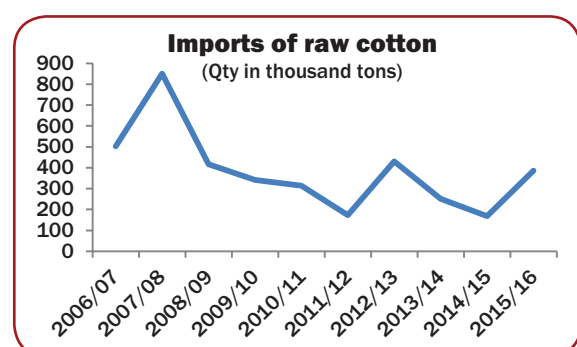
Figure VI:



Imports

Pakistan imports two million bales of longer staple cotton annually to meet the demands of the local textile industry. The current tariff policy is one of free trade and there are no restrictions on either import or export of cotton. Pakistan imported 1.4 million tons of raw cotton from different countries during the last five years.^[4]

Figure VII:



Cotton Crop 2015-16

The Federal Committee on Cotton (FCC) fixed the area and production targets for cotton as per usual practice in the month of February 2015. Despite discouraging low seed cotton prices during the crop season 2014/15, cotton was sown on an area of 2.90 million hectares, which represented 92 percent of the target.

The crop was progressing well, but in the months of June, July and August, cotton was badly hit by torrential and prolonged rains, coupled with a significant deviation in the temperature pattern. In Punjab province, higher rainfall (370 to 500 mm) was recorded in the cotton belt, which affected

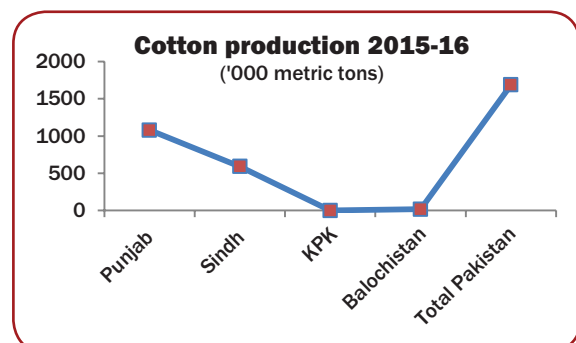
Table 1:

Targets and achievement of area in crop season 2015-16 (Million hectares)				
S. No	Province	Target 2015-16	Crop sown	% against target
1	Punjab	2.428	2.243	92.38
2	Sindh	0.65	0.621	95.53
3	Khyber Pakhtunkhwa	0.0035	0.0004	11.42
4	Baluchistan	0.05	0.038	76
	Total of Pakistan	3.1315	2.9024	92.68

Source: Federal committee on cotton (FCC)

plant growth and development, restricted pesticide spraying and weed management. The whitefly infestation remained higher during the months of July-September, which was the critical fruiting period for cotton. The population built up unexpectedly in the later stages of crop development, and severe boll damage was observed during the months of August-October. Farmers could not control pink bollworm due to their non-vigilance as to the extent of the pest infestation and a lack of availability of adequate pesticides. Moreover, the phutti prices remained between Rs.1,800 to 2,300 per 40 kgs in the months of August-September, due to which the farmers lost their interest in crop management because they did not foresee any profit from the cotton produced.^[5]

Figure VIII :



Strategies and programmes by PCCC to combat pink bollworm

The Pakistan Central Cotton Committee (PCCC), along with provincial agricultural departments, has launched a comprehensive programme to combat infestation of pink bollworm and to educate farmers in order to save the next cotton crop. National seminars were conducted and farmer meetings were arranged on the doorstep of the growers.

Short-term strategy

The Pakistan Central Cotton Committee has conducted around 100 seminars and farmer meetings at different places throughout the cotton

belt of Pakistan. The immediate objective of the meetings with farmers was to create awareness and adopt some general practices that are beneficial and can help in reducing growth of pink bollworm. The following were the main points of the message of the short term strategy:

- Keep the sticks in upright position, in small bundles and in open during May-June
- Cutting of sticks, plough-up and irrigate field immediately after harvest
- Dispose of the ginning waste lying in the ginning factories
- Early planting should be prohibited (not before May)
- Use certified seed
- Always use seed delinted with sulphuric acid
- Ratoon cotton should not be allowed
- Pest scouting twice a week and apply insecticide only when insect threshold level achieved
- Careful pest scouting by observing small bollworm larvae

Medium & long term strategies

- Thorough investigations are required to establish if bollworm has developed resistance
- Further studies are needed as to whether the Pink bollworm survival is due to insufficient dose of toxins
- Revise IPM strategy for Bt. cotton
- Develop synergies/agreements to bring new genes for cotton breeding system in Pakistan.

The future cotton policy envisages a number of strategies which include germplasm improvements, development of hybrid cotton, much improved and better farm and crop management, bringing additional areas under cultivation, especially in the provinces of Baluchistan and Khyber Pakhtunkhwa, and minimizing post-harvest losses. Cultivation of organic cotton is also being encouraged, particularly in the virgin, fertile and pest-free lands of Baluchistan. Necessary legislative and regulatory frameworks are being strengthened or created, such as the Plant Breeder's Act and Seed Act. Similarly, the national cotton research and development system is being streamlined with the involvement of all the key stakeholders to bring it at par with international standards. The Government is also encouraging multinational and national technology providers to introduce the latest and most effective insect protection technology.

References

- [1] Cotton Hand Book of Pakistan, 1979, Pakistan Central Cotton Committee, Karachi
- [2] World Textile Demand, 2015, International Cotton Advisory Committee, Washington D.C. USA
- [3] Economic Survey, 2016, Economic Advisors Wing, Ministry of Finance, Islamabad
- [4] Cotistics, 2015, Volume # 44, Directorate of Marketing & Economic Research, Pakistan Central Cotton Committee, Multan.
- [5] Cotton Review 2016, Volume 48, No. 05, Directorate of Marketing & Economic Research, Pakistan Central Cotton Committee, Multan.

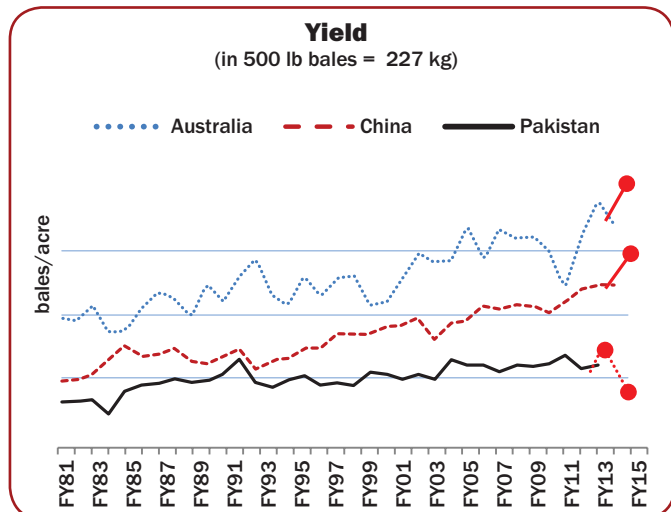
Scenerio of Pakistan Cotton Crop



MR. MUHAMMAD ATIF DADA
Chairman, Karachi Cotton Association

Pakistan has seen better days as far as cotton production is concerned. Being the fourth largest producer and third largest consumer of raw cotton in the world, we are a country largely dependent on agriculture and specifically on cotton and textiles. Cotton, as a cash crop, not only contributes 8% to the GDP but also accounts for 40% of the industrial labour force, thereby employing 15 million people in a very densely populated country. The entire textile sector also contributes by 54% to the much needed foreign exchange earnings of the country.

Crops are a product of area sown and the yields achieved. The former is driven mainly by the financial gains achieved or expected by the grower, whereas the latter is dependent mainly on the seed, partly on the weather and on other factors, such as the impact of disease and pests. Unfortunately, Pakistan's cotton crop did not get any favourable support from these influences on yield in the last few years. As evident from the accompanying chart, the growth of the Pakistani crop has stagnated after achieving a peak of around 15 million bales (155 kgs) and then declining to a very small crop of around 9.7 million bales last year. The crop in 2015/16 was actually one of the worst we have seen. Admittedly, weather and pest influences were the main factors for this debacle. However, the main reason for the crop size not improving is the seed. Other cotton economies, however, have seen growth by leaps and bounds.



A very renowned entomologist and BT Cotton Expert was in Karachi recently and at a meeting held at our Association, he also endorsed what many of us have been saying all along..... Pakistan has the potential to cultivate a crop of 20 million bales, if not more. However, to achieve this draconian task, the biggest challenge is to breed a modern/certified cotton seed with high germination and resistance to pest attacks. In addition to the seed, he further explained, the following issues also need to be addressed:

1. Diseases
2. Pests
3. Water (not too much and not too little)

Without certified cotton seed, growth of the cotton crop may remain stagnant or, rather, reverse in years when there are adverse weather conditions or severe pest attacks. In addition to improvement in yield, certified cottonseed may also help raise the quality parameters of Pakistan cotton. Many spinners who want to produce finer counts of yarn now have to import cotton that has better staple length, i.e. 29 mm or above, resulting in loss of precious foreign exchange. Our existing Cotton Research Institutes, whether in public or private sectors, are, unfortunately, not delivering the desired results. Furthermore, unless there is an initiative by the government to protect plant breeder rights, foreign seed companies are also showing no interest in providing the necessary expertise or certified cotton seed to our growers.

The Karachi Cotton Association has recognized the gravity of this situation for the last several years and has taken up this matter at all public and private fora. Not only the KCA, but almost all stakeholders of the cotton chain, from the ginners to the downstream textile manufacturers, are also conscious of this serious situation; every sector of the cotton chain in Pakistan is affected in one way or another. Besides the losses seen in foreign exchange, there are also other evils of a small crop which can be seen in sub-par ginning, bad trading practices etc., which may only improve when supply outpaces demand. The biggest loser is probably the government itself as they suffer huge setbacks due to:

- a. Loss of exports of cotton, yarn and made-ups and hence loss of earning of
- b. valuable foreign exchange.
- c. Loss of employment opportunities.
- d. Loss of tax recovery.

Loss of foreign exchange while importing cotton,

and many more. Unfortunately, nothing constructive has been done so far to reverse the situation. The KCA has taken an initiative by organising a “ONE DAY COTTON CONFERENCE” in Karachi a few months ago, with a view to determining the actual causes of the crop failure in 2015-16 and chalk out the measures required to be taken to achieve better cotton crops in the coming years.

The Conference identified various reasons of cotton crop failure in 2015-16 including (i) non availability of properly certified cotton seed to the growers, (ii) heavy pest infestation, mainly “pink bollworm”, (iii) untimely heavy rains, (iv) improper crop management and (v) sowing of sugarcane in cotton growing areas.

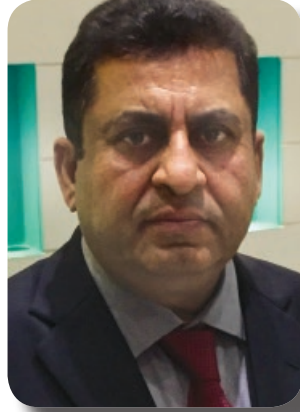
In order to obtain a better cotton crop in forthcoming seasons, the Conference recommended various measures including (i) ensuring a supply of certified cotton seed to the growers, (ii) removing tax on imports and subsidy on exports of sugar, as is the case for cotton, (iii) declaring an Agriculture/cotton emergency by the Government, (iv) activating Provincial Extension Departments of Governments of Punjab and Sindh for optimal performance and (v) eliminating/removing all taxes on agriculture inputs.

The Conference formed a Task Force, comprising representatives of KCA, PCGA, APTMA, FAP and the Ministry of Textile Industry, to take all necessary action (short and long term) to improve production.

As mentioned at the beginning, we have seen better times in Pakistani cotton production. The present situation is such that everybody knows what needs to be done to turn things around. There are lots of talks going on but in the end we must just accept the current situation and hope for improvement in the next season.



Positive Opportunities in 2016



DR. JASSU MAL,
Chairman, Pakistan Cotton Ginners Association

The Pakistan Cotton Ginners Association is the primary body advocating cotton ginning and trading of raw cotton in Pakistan. With membership of more than 1,300 ginneries, our association represents each and every district and division of Pakistan. Being one of the oldest associations in the cotton trade and representing a vast number of people across the country, PCGA is responsible for addressing all matters pertaining to the cotton industry.

Pakistan's ginning industry is comparatively different in terms of operations, ginning technology and market risk management. In major producing countries such as the USA, China, India, Brazil and Australia, the ginning sector plays the primary role of connecting farmers with upstream market trends and educating them over best farm practices and farm management. This connection, however, is distinct on our part, as Pakistan has the highest number of ginneries per bale anywhere in the world. This overcapacity is primarily the result of a reduction in the country's crop size. PCGA is seeking to work more strongly, with new leadership, to resolve this issue jointly with other stakeholders in the industry.

PCGA addresses issues pertaining to bale-weight management, crop quality standardisation, seed supply, cotton storage and handling matters, as well as contamination control and gin efficiency matters. Additionally, the availability of timely financial support to ginners from the central bank is an active issue to be addressed under PCGA. Integration and communication with our international sister organisations is also a responsibility of PCGA and, so far, very limited work has been done in this regard.

2016 brings positive opportunities for our association, having new leadership and a stronger team, and we seek to move forward by partnering with all stakeholders, on both the national and international front, so as to serve and strengthen the cotton sector and increase the use of cotton. It is also our honour to support the Pakistan Central Cotton Committee in hosting the 75th Plenary ICAC Meeting in Islamabad. PCGA looks forward to welcoming all guests and dignitaries in this global congregation of cotton intellectuals in our capital city. Together with the global cotton community, we shall continue to serve the cotton industry and cotton farmers all over Pakistan.



Cotton Crop Research in Pakistan: a Glorious Past!



DR. YUSUF ZAFAR,
ICAC Cotton Researcher of the Year, 2012

Pakistan is the 4th largest cotton producer in the world. The cotton crop is grown on an area of about three million hectares annually, with average lint production of 670 kilograms per hectare. This level is close to the world's average. However, one major point of difference is that Pakistan grows most of its cotton in the irrigated land of Punjab and Sindh. India, with average productivity of 526 kg/ha, grows the bulk of its cotton from rain-fed areas.

Historically, the cultivation of cotton in present-day Pakistan can be traced back to 6000 B.C., with diploid cotton (*Gossypium arboreum* L.) locally known as "Desi" (indigenous) identified in the ancient remains of the Mohenjo-Daro (Sindh) civilization of the Indus Valley. This short fibre, tree-like plant remained the main source for hand looms and cottage industry in the region until the beginning of the nineteenth century.

The modern, bushy tetraploid cotton plant (*G. hirsutum* L.), with longer fibres, shorter duration and higher production, was introduced to the Indian sub-continent by its then British rulers in 1818. This was an era of industrial revolution in the textile sector in the West. The new cotton plant was an introduction from the USA (New Orleans and Georgia). Soon the introduced cotton crop replaced the native cotton, which is now restricted to less than 2% of the area.

Pakistan inherited very efficient canal irrigation and commodity-based research stations from British rule, with the first cotton research station established in Lyallpur (renamed Faisalabad). This

city was proudly called the "Manchester" of Pakistan, due to its emerging cotton industry. After gaining independence in 1947, cotton research remained in the public sector and was managed by the federal as well as by the provincial agriculture departments. The cotton researchers and especially conventional breeders made tremendous progress (1970-1992) in every sector of cotton crop improvement, notably productivity, lint production, fibre length and fineness. This could be judged from the fact that, from merely one million bales (175 kgs), Pakistan achieved record production of over 14 million bales. There are now 5 federal and over 17 provincial cotton centres/stations, which so far have released over 90 commercial varieties of cotton.

The first major change after the arrival of new world cotton was made by the introduction of the induced mutant variety, NIAB-78. The new variety, with wide adaptability, brought about a "white revolution" in the country. In addition to the improved genetics of the seed, extensive field support by the private pesticide industry for better crop protection resulted in a mega-shift in the decades-long production level of four million bales, which rose to touch 7.5 million bales. The cotton research sector was in full bloom during this golden era (1982-1992) and very famous varieties like Karishma and S-12 were released by the public sector. The country achieved 12 million bales in 1992.

The continuous progress in cotton production suffered badly, however, due to the sudden



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.cargillcotton.com

© 2013 Cargill, Incorporated





appearance of a cotton leaf curl virus attack, which spread like an epidemic through Punjab, the province that grows 80% of cotton for Pakistan. This single-stranded DNA virus was found to be spread through whitefly. This challenge had not been encountered earlier by the research community. However, generous support from the international community, especially the John Innes Centre, Norwich, UK, and the University of Arizona, USA, played a very active role in capacity building. This tripartite collaboration was made possible by financial and technical support from the Common Fund for Commodities (CFC) through the International Cotton Advisory Committee (ICAC). The genetic material, type and biology of the causative agent (virus) and of the vector (whitefly) were examined, and a plethora of data was generated. This serious problem turned out to be a blessing in disguise, as the country's cotton research sector adopted nearly all the modern tools of biotechnology, molecular biology and genetic engineering. A strong foundation for cotton biotechnology was laid in the country.

Cotton production, which had declined by 40%, badly hitting the country's economy, started to revive due to the introduction of virus-tolerant varieties. Pakistan was able to achieve once again the past record of 14 million bales of cotton production (1998-2004). This revival is a "success story" for the Research & Development sector of Pakistan's cotton industry. However, the achievement proved to be short lived.

A new strain of cotton leaf curl virus – Burewala - appeared, which overcame the resistant cotton varieties, and cotton production again suffered a severe blow. The fight is not yet over and many projects are in operation to develop broad-spectrum and durable resistance against this new strain.

The epidemic of cotton leaf curl virus was badly affecting cotton in Pakistan, just as all major cotton producing countries (USA, Australia, China and India) started to grow genetically-modified (GM), insect-resistant cotton varieties, commonly known as Bt. cotton. Cotton production globally started to rise while Pakistan was still hovering around 10-12 million bales. Various centres in Pakistan launched GM cotton programmes, by placing well known traits (insect resistance, herbicide tolerance) and also some novel traits. Two centres (CEMB, Lahore and NIBGE, Faisalabad) gathered critical mass and appropriate infrastructure for this purpose. Efforts are still continuing to develop GM virus-resistant cotton and USAID/USDA are supporting this programme with heavy funding, material, germplasm and expert support.

Many claims were made but hope died down during the next trial season. Thus, cotton leaf curl virus is still a major challenge for cotton production in the country. Knowledge-based actions to keep the whitefly population low, removal of weeds, rapid release of cotton virus-tolerant varieties by incorporating all possible resistant sources through conventional means, have kept Pakistan's cotton sector alive, with cotton production hovering around 12 million (+/-2 million) bales over the past two decades. However, by incorporating the MON531 trait of insect resistance, nearly a dozen Bt. cotton varieties were officially released in Pakistan in 2010, although these Bt. cotton varieties had been illegally grown for quite some time earlier. The Bt. cotton was released by both public and private sectors.

In addition to cotton leaf curl virus, factors related to climate change have compounded the problems of the cotton sector in Pakistan. Heavy floods, untimely rains, higher temperatures at the critical, boll-setting stage and long drought have all added to the woes of the cotton sector.

The agricultural sector in Pakistan suffered another blow, when, under the devolution plan of 2008, the Agriculture Ministry was devolved to the provinces. The haste in implementing the reform agenda resulted in a complete *débâcle* in the federal research sector (including cotton). The trend was reversed by transferring the cotton research to the newly-created Textiles Ministry, and Cotton Research Institutes revived to some extent. This process is still continuing. Similarly, the National Biosafety Centre remained inactive for nearly four years, thus blocking the evaluation/release of any newly-developed GM cotton varieties. Recently, the NBC was revived also, and has granted approval to several GM cotton varieties with herbicide-tolerance and double genes of insect-resistance.

Manchester lost its glory in the textile sector. Pakistan must now confront and overcome the stiff challenges posed by cotton leaf curl disease, climate change and the crash of commodity prices in international markets.

The focus on increasing productivity and lowering input costs, by making use of new research tools, such as molecular breeding, genomics, genetic engineering and now genetic editing, along with appropriate policy decisions for farmers and the private sector, could bring another revolution in the country's cotton production.

It is expected that 75th ICAC Plenary Meeting will be a stimulant for the endeavors of the Government of Pakistan to ensure the revival of cotton productivity in the country.

Disclaimer: The views expressed in this article are solely those of the author himself and do not in any way represent his past or present assignments.

Challenges and Opportunities for Pakistan's Textile Industry



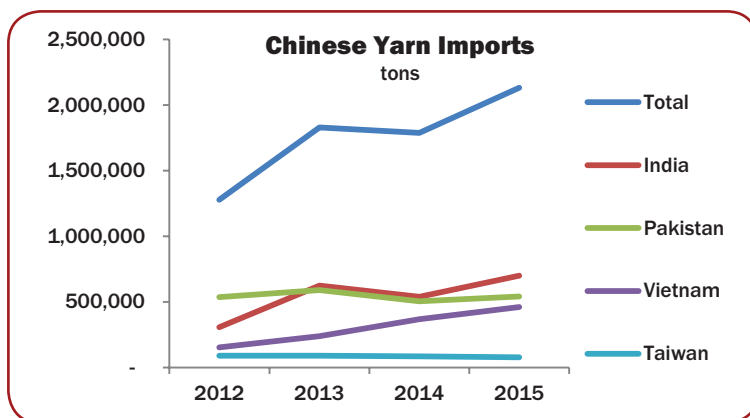
MR. TARIQ SAUD
Chairman, All Pakistan Textile Mills Association

The All Pakistan Textile Mills Association (APTMA) is the premier national trade association of the textile spinning, weaving, and composite mills, representing the organized sector in Pakistan. APTMA emerges as the largest association of the country as it represents 396 textile mills, out of which 315 are spinning, 44 weaving and 37 composite units. The total installed capacity of APTMA member mills accounts for 9,661,366 spindles, 61,608 rotors, 10,452 shuttleless/airjet looms and 1,897 conventional looms.

From its infancy after the creation of Pakistan, the textile industry has grown tremendously over the last few decades to occupy a leading position in world textile trade. Today, Pakistan is the 3rd largest consumer of raw cotton and textile exports account for well over 50% of all the country's exports.

Traditionally, Pakistan's textile industry has relied on local cotton to meet all its requirements, and the availability of competitively-priced local cotton has been one of the core strengths of the industry. However, as cotton consumption has increased over the last decade or so, Pakistani mills have had to rely on meeting some of their requirements from imported cotton growths, particularly during the 2015-16 season, when the Pakistan crop had a disaster and production dropped by over 30% from the season earlier. This has created new and serious challenges for the industry. Apart from importing higher priced cotton from abroad, mills have had to pay unfavourable government-levied import duty and other expenses, which push up the cost of imported cotton by almost 7 – 8% for textile mills.





Despite relentless efforts by APTMA over the years to ensure a level playing field for the Pakistan textile industry in comparison to regional competitors, the cost of doing business in Pakistan is much higher than for direct competitors. As a result, Pakistan's textile industry has started to lose market share in key export markets to its competitors, which is clearly evident from the textile export figures on the previous page. After showing steady growth for several years, textile exports have stalled over the last two years and, unless a level playing field is provided in comparison to regional competitors, it is difficult to envision Pakistan's textile industry regaining its lost share. In particular, the fall in yarn exports has been quite steep, as the key Chinese market has lately started to slow its imports of yarn. However, more worrying is the loss of share in Chinese yarn Imports to regional competitors. From being the top yarn supplier to China during the early part of the recent boom in Chinese yarn imports, Pakistan has slipped to 3rd biggest supplier of yarn to China in recent months. This clearly shows the lack of competitiveness of Pakistan textile mills, as regional competitors have been able to gain Pakistan's share due to favourable government policies in those countries.

A positive development evident in the above charts is the slow but steady growth of garment exports by Pakistan textile manufacturers. This is an area in which Pakistan textile mills need to focus, so as to enhance value addition in their products in order to attain maximum returns. In this regard, the GSP Plus status attained from the European Union gave manufacturers some breathing room, but even now they are facing a lot of challenges with rising costs. Another encouraging development has been excellent growth in local demand for textile products over the last few years. Many manufacturers have launched local brands to tap into rising domestic demand for garments and other textile products. Some of the manufacturers have had immense success in the local market and now have an alternate market to cater to, apart from the traditional export-based market.

APTMA as an association is trying its best, but in our opinion the import policy should be changed. The regional exporting countries are subsidizing their manufacturers and thus Pakistan textile manufacturers are struggling to compete due to these subsidies to their competitors. For example, in one of our neighbouring countries, they have recently unveiled a pro-textile budget, which creates jobs using textile manufacturing as well as gaining market share. We have great faith in the abilities of Pakistan textile manufacturers but

we cannot compete against governments. There are complicated issues and no easy solution. But the manufacturing sector creates jobs and so the government really has to focus on it.

APTMA has been lobbying the government continuously to ensure a reversal of the recently witnessed negative trend in Pakistan textile production/exports, with mixed results. We strongly feel that, to achieve competitiveness, there should be no duties on raw materials. Despite being forced to meet almost 20 – 30% of their cotton requirements from abroad, textile mills have to pay import duty as well. Although there has been lately some improvement in the supply of energy to the textile sector, the cost of energy in Pakistan remains well above that faced by all regional competitors and it needs to be brought down to a level with those competitors. We strongly believe that, if a level playing field is ensured for Pakistan textile manufacturers in comparison to competitors, it would pave the way for massive investment in the textile industry, leading to increased efficiency and competitiveness in overall manufacturing. It would also help in enhancing value addition in the textile chain and contribute massively towards the growth and development of the country.

Nevertheless, we believe that there are opportunities in these challenges. As the saying goes: 'when the going gets tough, the tough get going'. Some of the progressive mills have already started struggling to invest in product differentiation, vertical integration, value addition, including local brands and market diversification. We hope, and are confident, that out of such struggle, progress almost always surfaces.



A Partial Adjustment



MR. JOSÉ SETTE,
Executive Director, ICAC

Looking back on the past year, important changes have occurred in the structure of world supply and demand. After five years of overproduction, cotton output in 2015/16 fell considerably, leading to a substantial reduction in world stocks. Although inventories are still significantly higher than normal, the excess has started to be trimmed. Nonetheless, cotton continues to be confronted by an extremely challenging competitive environment. The 75th Plenary of the International Cotton Advisory Committee will be a valuable chance to debate the serious threats, as well as the exciting opportunities, faced by cotton.

From 2010 to 2014, the world cotton market was marked by an unprecedented accumulation of stocks. During this time, production exceeded demand by almost 14 million tons, much of which still remains stockpiled in warehouses around the world. At the end of the 2014/15 season, world stocks stood at a record 22.3 million tons and the global stock-to-use ratio was 0.92, the highest level on record.

Interest on the part of growers in planting cotton in 2015/16 was diminished by expectations of higher returns from other crops, leading to a 10% reduction in planted area. A major contributing factor was relative prices in February-March 2015, when farmers in the Northern Hemisphere made planting decisions for the 2015/16 season. At that time, cotton prices were less attractive than those of competing crops. As the season progressed, adverse weather in almost all growing regions led to continual

downward revisions of crop forecasts. In fact, the first ICAC estimate of the 2015/16 crop was 24.56 million tons, which needed to be steadily reduced as the months went by. The combination of higher returns for competing crops and inclement weather caused global cotton production to plunge by 19%, to 21.1 million tons, the lowest level since 2003/04.

The world cotton trade continues to adjust to the changing situation. In 2015/16, the volume of cotton traded internationally fell by 5% to 7.25 million tons, the lowest volume since 2008/09. China, which had been the world's largest importer of cotton for several seasons, fell to third in the ranking in 2015/16, as its imports dropped by 47% to 959,000 tons. This is the lowest volume imported by China since 2002/03. Imports by other countries increased by 8% to 6.2 million tons, led by the top two importing countries, Bangladesh and Vietnam, which both imported more than one million tons in 2015/16.

On the demand side, in 2015/16 world cotton consumption fell by 2%, to 23.8 million tons, after three consecutive seasons of growth, as cotton continues to face difficulties in competing with lower-priced polyester.

The shortfall in supply of 2.7 million tons was met by a drawdown in cotton stocks, which fell by 13%, to 19.4 million tons, in 2015/16. Substantial sales from the Chinese government reserve reduced China's ending stocks by 13%, to 11.3 million tons, while stocks in the rest of the world decreased by 11% to 8.1 million tons. Although the global stock-

to-use ratio consequently fell from 92% in 2014/15 to 81% in 2015/16, world inventories continue to be at extremely high levels in historical terms. An orderly reduction of these stocks will continue to be a key factor in the healthy development of the cotton market in coming seasons.

Since the full extent of the fall in production took time to become apparent, prices trended downwards during much of 2015/16 and only staged a reaction in the final months of the season. In fact, the Cotlook A Index, the most widely used measure of the price of cotton on the physical market, averaged 70.39 US cents per pound in 2015/16, almost unchanged from the average of 70.78 cts/lb registered in the previous season.

Prices have fallen considerably in the last two seasons, passing from 91 cts/lb in 2013/14 to 71 cts/lb in 2014/15 and 2015/16. At first glance, this is a negative development for the sector as a whole, and especially for growers. However, one must bear in mind that cotton prices were considerably higher than their long-term equilibrium level from 2010 to 2014. As a result, cotton became less competitive in comparison with competing fibers and the decline in its share of the world fiber market accelerated.

Cotton has not been able to reap the full benefits of lower prices because the price of polyester, its most important competitor, has also dropped as a result of overcapacity and weak oil prices. As already noted, after three consecutive seasons of growth, world cotton consumption shrank by 2% in 2015/16. If maintained in coming months, the surge in cotton prices that began in April 2016 will further widen the gap in prices of the two main fibers, with possible negative impacts on the demand for cotton.

A further source of concern is the increase in price volatility in 2015/16. Although considerably lower than the record volatility experienced in 2011, which caused extensive damage to contractual relations within the cotton trade, close attention must continue to be paid to the effects of price movements on the cotton value chain.

Overall, 2015/16 may come to be considered as a season of transition and the beginning of a long-term drawdown in stocks from their current excessive levels. However, this adjustment has come at a heavy cost. In 2015/16, the total value of the entire cotton crop was about US\$33 billion, the lowest in eleven years.

Meanwhile, the most important challenge faced by cotton is to cope with the competition from man-made fibers, especially polyester.

We must act on several fronts at the same time.

First, cotton prices must remain competitive. It may be difficult for cotton to match current low prices for polyester, but any further widening of

the gap between the prices of the two products would not be good news for cotton. This means that cotton growers must continue to make every effort to improve efficiency by lowering their costs of production and increasing productivity. Long-term investment in extension services and agronomic research is part of the solution. Yields in cotton production vary tremendously, and there is ample room for improvement in many cotton-producing countries, especially in Africa and Asia.

Second, research must continue to be conducted into ways in which to improve the technical performance of cotton in relation to competing fibers. Cotton has important natural qualities that are valued by consumers, but greater investment in research and development is required in order to improve its ease of use in the spinning industry.

Third, cotton must do more to show its positive contributions to our world. Although often the target of unjust and misinformed attacks for its impact on the environment, cotton helps to provide food security and income to hundreds of millions of people all over the world. We must all join together to educate the public regarding the benefits of this useful fiber.

Fourth, promotional campaigns can help to shape consumer preferences, so as to counteract the drop in demand. The need to make consumers more aware of the advantages of cotton is particularly important in the emerging markets of Asia and Africa, where the bulk of population growth in coming decades will occur. Consumers in these markets often have scant knowledge of cotton and its benefits. Therefore, it is important to educate them and create loyalty to cotton in the future.

The 75th Plenary Meeting of the ICAC will provide participants with a unique opportunity to examine key topics for the future of cotton, such as: reducing contamination; improving ginning practices; defining the optimum role of the state in the production and trade of cotton; combating emerging pests; enhancing efficiency in the cotton value chain; making more efficient use of water in the production process; and exploring the ways in which the textile industry views cotton. Participants will also receive information from the Secretariat on the latest supply and demand outlook, as well as government support measures that affect the cotton sector. The ICAC looks forward to a fruitful Plenary meeting.





Headed to cotton
Headed to cotton



ICT COTTON LIMITED

www.ictcotton.ch

Polyester Trends and Fibre Cost Comparisons in Relation to Crude



MR. DARREL COLLIER
Business Manager - Synthetic Fibres
Tecnon Orbichem

Global polyester fibre production growth, which fell to its lowest levels in 2014 since the 2008/09 recession, recovered somewhat in 2015, posting growth of 4.5% (for filament and staple combined). Although this was substantially higher than the 2.4% growth experienced in 2014, it remains well below 8% average growth for the last five years.

Recent, below trend, growth for polyester fibres is attributed to slower overall growth in China. Chinese production continues to dominate world polyester fibre production, representing 71% of all polyester fibre production in 2015. Chinese GDP growth, which has declined from 12% after the 2008/09 recession to 6-7% in the last couple of years, plays a critical role in global polyester production.

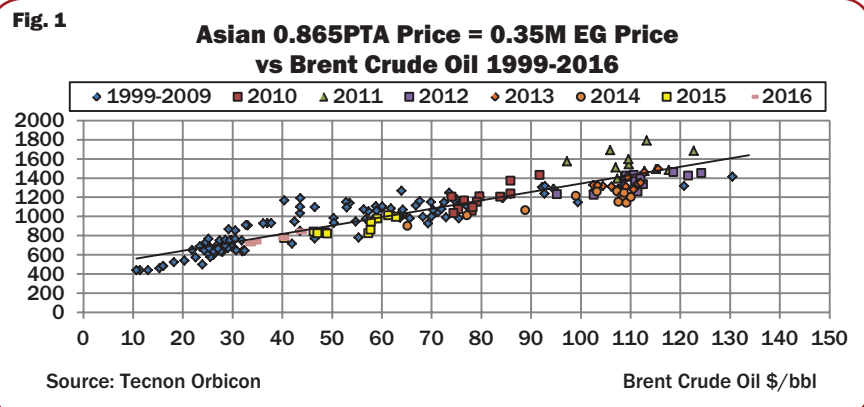
Global polyester filament production increased by 5.2% to 32.2 million tonnes in 2015, while polyester staple rose 3.1% to 16.0 million tonnes. Migration to filament processing in global textile markets continues, although at modestly slower rates than over the past 2-3 years.

Polyester fibre production growth for the whole of 2016 is expected to change little as compared to the year prior. *Tecnon Orbichem* is projecting polyester filament production to increase 5.2% for all of 2016 and staple

production to increase by 2.7%. However, recent cotton price increases and resulting polyester staple substitution for cotton in Chinese spinning operations could result in our growth projections being understated this year. Substitution has been evident in China since July when Asian cotton prices broke the 80 cents per lb. threshold. We suspect polyester staple substitution for cotton in Chinese yarn spinning could continue for much of the second half in 2016.

Over the last year, polyester prices were reasonably steady, as compared to volatility experienced in 2014, when crude oil declined from slightly over \$100 to \$50/bbl. From mid-2015 to mid-2016 crude has ranged between \$45 and \$55/bbl. As a result, polyester pricing changed less than 10% over the last 12 months.

We are frequently questioned if polyester costs are "where they should be" at today's crude oil



price, and do lower crude costs differentially favour one fibre (synthetic or natural) over another? To study this, we examined polyester raw material costs versus crude oil (Brent) over the last 16 years, when crude ranged from \$10 to \$135/bbl. We show Asian polyester prices in this study because it is the region with the most production, prices are transparent and raw material costs are mostly influenced by market forces with limited formulae-based manipulations. Figure 1 shows monthly polyester raw materials costs (MEG = Mono-Ethylene Glycol, PTA = Purified Terephthalic Acid) plotted against monthly crude oil prices over 1999 to 2016.

A good correlation between crude oil and polyester ingredient costs has developed over the years, with only modest outliers in 2011 (above the best fit curve due to PTA supply restrictions) and 2013/14 (below the curve, as rapid PTA expansion hit the market). Most recent data points of 2015/16 fit the curve or lie below due to overcapacity at every step of the polyester chain and technological improvements lowering costs. In other words, current polyester raw

for the best fit line correlation with crude oil. Other market factors as well as non-energy costs influence raw material pricing for these two fibre categories at a given crude price. Nevertheless, as crude oil increases, overall costs for these products increase more rapidly than for polyester.

By examining the best fit curves for all three products in Figure 4, definite conclusions are apparent. Although polyamide and acrylic raw materials are more disadvantaged as crude oil costs increase, the gap narrows (although still substantial for caprolactam) as crude oil declines to prices experienced today. Overcapacity exists for all three materials, which will likely minimise outliers from the cost curves in the immediate future.

Fig. 2

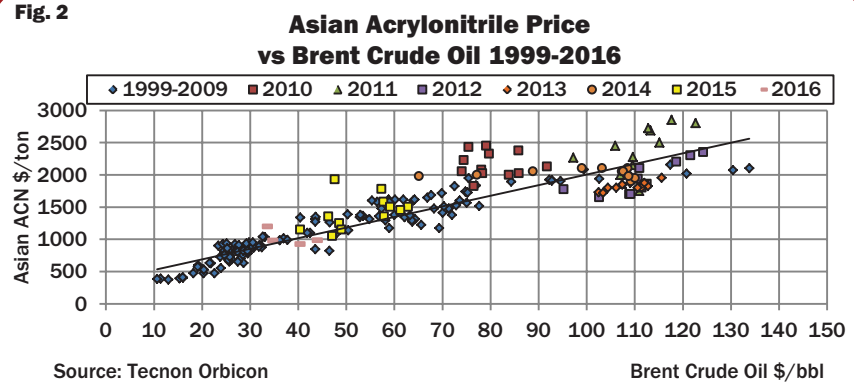
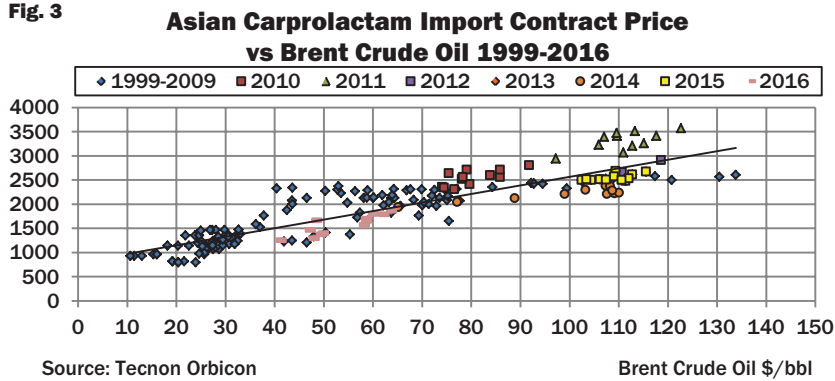


Fig. 3



The strong correlations between crude oil and synthetic fibre cost is less evident when comparing natural and artificial (cotton/viscose) fibre with crude. Although cotton does not contain any direct crude-oil based content, its cultivation requires the highest energy usage when compared to

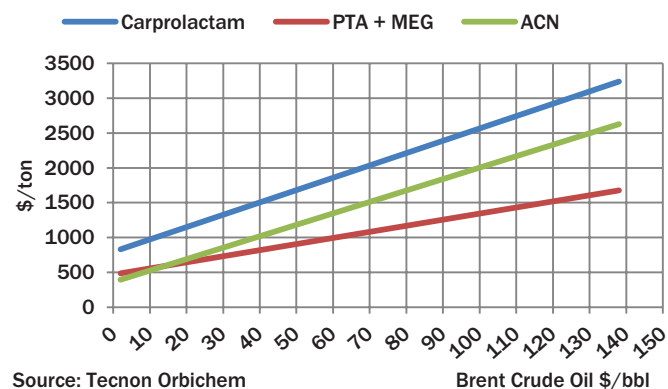
material costs are in line with their historical relationship with crude, if not modestly below.

We can also compare polyester costs with other major synthetic fibre categories over a broad range of crude values. Figures 2 and 3 examined two other fibre raw materials (caprolactam-polyamide 6 and acrylonitrile-acrylic) developed over the same comparison period with polyester. Again we examined Asian values for many of the same reasons mentioned for polyester.

As compared to polyester raw materials, polyamide 6 and acrylic raw materials have greater spread and a steeper slope

Fig. 4

Asian 0.865PTA = 0.35 Price Trend & Caprolactam Price Trend & ACN Price Trend vs Brent 1999-2016

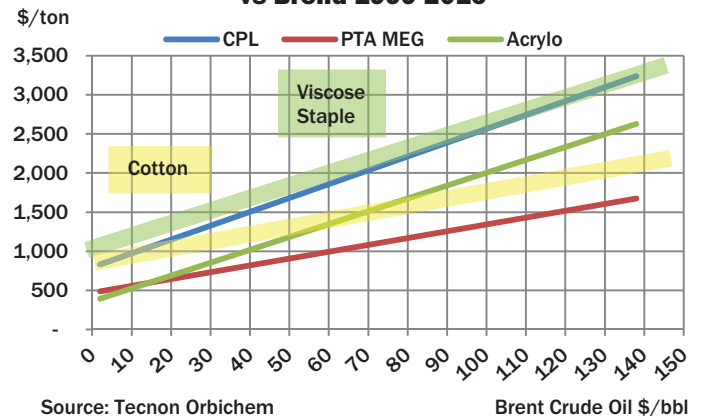


other agricultural commodities. Figure 5, which is inevitably illustrative than precise, illustrates cotton and viscose prices with crude in the same comparison period as the synthetic fibres examined. As with synthetic materials, natural and artificial fibre prices will rise with higher crude pricing. This can be partly explained by direct correlation with cultivation cost and indirectly with higher synthetic prices supporting cotton (and viscose) substitution leading to higher demand which in turn causes higher cotton prices. Despite this direct and indirect relationship, cotton pricing is less impacted (lower slope) by crude than other fibres studied.

By examining these five Figures, some definite conclusions emerge.

Although polyamide and acrylic raw materials are disadvantaged when crude oil costs are high, the gap narrows (although still substantial for caprolactam) as crude oil declines to prices experienced today.

Fig. 5 Asian Price Trends: Cotton Viscose Staple, Caprolactam, ACN and 0.865PTA = 0.35MEG vs Brent 1999-2016



Cotton is modestly disadvantaged compared to polyester in a low crude environment. Conversely, when crude oil prices rise, polyester will gain in advantage over polyamide 6 and acrylics, but will lose some of its cost advantage against cotton.

Cotlook Subscription Services



Cotlook In One

Cotlook In One gives you Cotlook Daily, Cotlook Cottonquotes AND Cotton Outlook Weekly in one package. Multiple user licences are available at competitive rates. Each service is described here and can be subscribed to separately...

Cotlook Daily

- Cotton news updated through the day
- Three daily summaries one each from Beijing, Liverpool and Memphis

Cottonquotes

- Representative CFR Far Eastern quotations for a wide range of cottons
- The Daily A Index and its constituent prices

Cotton Outlook Weekly news

- Eelectronic format
- FREE Special Features
- FREE Annual Special Edition



NB. All the above services include a delayed ICE futures feed (real time feed also available at a fee)

Other Services include:

Price Series

Historical data for your own database. Monthly updates available from our website as self-extracting files in Microsoft Access or Excel formats. The Price Series database includes:

- Cotlook A Index
- A Index constituent growths
- Other non-index CFR Far East quotes

Cotton Facts

A weekly Russian-language summary, giving selected basic price and statistical information, together with brief details of the main crop and marketing developments during the preceding week. 'Cotton Facts' is available via the Internet.

www.cotlook.com

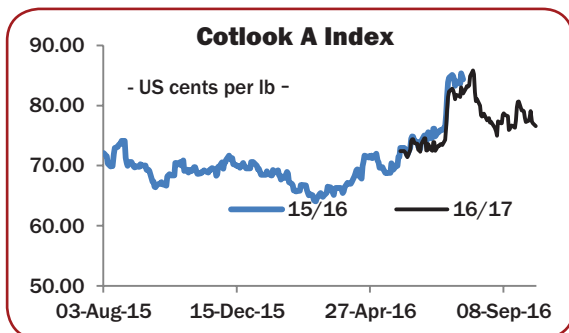
From Mumbai to Islamabad – a Journey of Surprises



MR. MIKE EDWARDS,
Editor, Cotton Outlook

As delegates departed from ICAC's 74th Plenary Meeting in December 2015, the Cotlook A Index was hovering just above 70.00 cents per lb, very close to its nominal, long-term average. "World market in the doldrums" was the title of our review of market developments in the period since the previous Plenary. Prices had stagnated either side of the 70.00 cents per lb mark for some considerable time, and sentiment amongst producers, spinners and traders alike was palpably depressed.

During the first few months following the gathering in Mumbai, a similar mood persisted. The A Index reached its low point of the 2015/16 season of 64.05 in early March, and for the most part lacked a clear trend.



Chinese stocks under government control, estimated at a daunting 11,500,000 tonnes or so, accumulated between the 2011/12 and 2013/14 seasons, had been hanging over the world market for some considerable time. The thought that their sudden release might provoke a collapse of world prices had become the stuff of nightmares, even

if a more sober assessment, based on China's oft-repeated policy aim of market stability, suggested that such an outcome was unlikely.

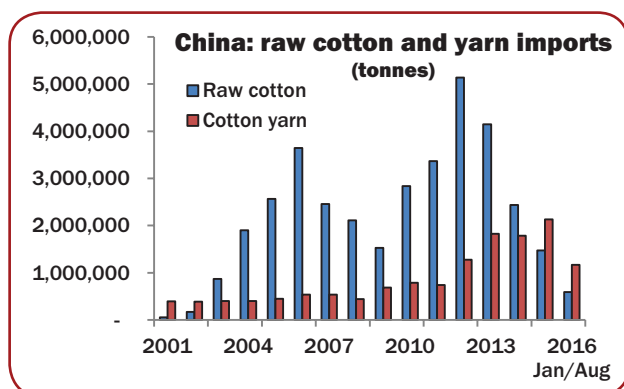
Thus, the steadily increasing rumours that a further round of sales from the state reserves would take place in the spring became a staple of market talk since their emergence just before the year-end.

During the lengthy period of conjecture that preceded the commencement of the auction series, which eventually got under way during the first week of May, observers within and outside China sought to predict the likely scale of sales, and endeavoured, with some difficulty, to anticipate the impact on the domestic and world markets.

The Chinese government's previous attempt to dispose of state reserves had ended in anti-climax the previous summer. From a volume earmarked for sale in July and August 2015 of one million tonnes, merely 63,000 tonnes found buyers.

The expectation on this occasion was that a determined effort would be made to engineer a more successful outcome, but much uncertainty nonetheless characterised the pre-auction period. It emerged that two million tonnes had been earmarked for sale, and that a weekly base price would be established, based on two domestic price indicators and the Cotlook A Index. However, some questions persisted: to what extent would the age and perceived quality deficiencies of the state reserve cotton deter buyers? How aggressively might quality discounts be applied, in order to move cotton out of the reserve?

In terms of supply and demand fundamentals and their influence on prices, China currently has a 'semi-detached' relationship with the rest of the world, since Beijing has lately been unwilling to establish any import quotas, beyond the 894,000 tonnes that represent a commitment to the World Trade Organisation. As a result, the bearish sentiment engendered by the prospect of state reserve sales was for the most part not derived from an expectation that state reserve cotton would displace imports. Rather, the fear, prior to the start of sales, had been that Chinese spinners' access to very cheap state reserve cotton would result in a sharp deceleration of cotton yarn imports. The latter had surpassed two million tonnes in 2015. China had become a major market for spinners in numerous countries. A sharp contraction of import demand from that quarter would thus, self-evidently, threaten their wellbeing, as well as the stability of both cotton yarn and raw cotton prices.



After much delay, the auction process commenced on May 3, 2016, and was immediately characterised by a strong demand from both spinners and traders. The auctions had begun against a background of tight local supplies and rising prices during the previous month on China's Zhengzhou cotton futures market.

To the surprise of many, the appetite of both local traders and spinners for state reserve cotton did not wane significantly in the ensuing weeks and months. Daily catalogues were routinely purchased in their entirety, prompting calls from the spinning sector for the amount on offer to be increased, a request that could not be complied with on logistical grounds. However, another plea - that the auction process be extended beyond its scheduled conclusion at the end of August - did receive a sympathetic hearing. The desired extension, until the end of September, was duly confirmed in early August. By then, cumulative sales had risen to more than 1.7 million tonnes - still a modest proportion of overall stocks (in excess of eleven million tonnes, at the start of the auctions), but far more than most observers had anticipated. By mid-September, a final figure comfortably in excess of 2.5 million tonnes appeared within reach.

Those that had entertained the possibility of a successful auction series generally acknowledged that it would probably come about at the expense

aggressive discounting of prices. Instead, the prices paid at auction rose strongly, to mirror the impressive performance of Zhengzhou cotton futures during much of the period.

As the auction process progressed, it therefore became apparent that fears of a downturn in world prices, precipitated by state reserve selling, had been misplaced. Traders and their mill customers were at last becoming more conscious of a tightening nearby supply position outside China, of which supply and demand estimates had warned for some time. Cotton Outlook's figures suggest that, during the course of the 2015/16 season, world stocks outside China declined by more than 1.2 million tonnes.

Tightness of supply was also reflected in the behaviour of prices at certain origins, most notably in India. An erratic monsoon combined with insect pressures to reduce the output from the 2015/16 crop. Demand from neighbouring countries, most notably Pakistan, which also suffered a sharp downturn in output for similar reasons, further depleted both the supply from which Indian mills could meet their needs, and that available for export during the later months of the season. Local prices responded strongly, rising to levels far above international parities.

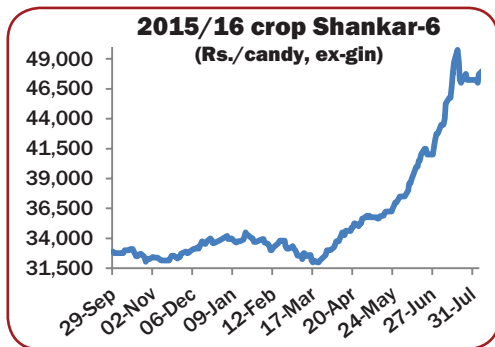
This in turn assisted in the marketing of competing crops, including those from the African Franc Zone, which had effectively become sold out (both at origin and from trade holdings) well before the end of the season.

Late in the season, India also emerged as a major source of import demand, as spinners in the south of the country balked at paying the prohibitive prices asked for good quality remnants from the 2015/16 campaign. Australian cotton was a major beneficiary of Indian import demand during June and July, and before long the uncommitted supply from that origin too was also virtually exhausted.

During the later months of the season, price sentiment gradually strengthened in response to the aforementioned, steadily tightening supply position. The hand-to-mouth buying policy, to which most mill buyers of raw cotton had been wedded for some considerable time, had doubtless served them well. However, spinners were left exposed when the reality of the supply position became tangible in the physical market.

Their problems were compounded when, in early July, a surge of speculative fund buying took place in the New York futures market. Upland offering rates, which had been rising steadily for some months, were suddenly propelled out of their previous trading range. In late July, the Cotlook A Index surpassed the 85.00 cents per lb level for the first time in some two years. As far as the short term was concerned, firm prices, albeit partially the result of a speculative move, did not seem out of keeping with the prevailing tightness of supply.

Will these elevated levels be sustained into the new season, or will the market succumb to selling pressure as the Northern Hemisphere crops come to market?



What signals do the supply and demand forecasts send? When Cotton Outlook's initial, and necessarily very tentative, production and consumption forecasts for the 2016/17 season were published in late February, the numbers appeared to send a rather bearish signal. As far as world production was concerned, the basic premise was that, while the area devoted to cotton, overall, would not change dramatically, a recovery of yields in certain important producing countries (India and Pakistan, for example) seemed likely to contribute to a recovery of global output of the order of 1.7 million tonnes, or around eight percent.

World consumption was forecast to expand at a rather pedestrian 1.4 percent, as economic concerns, coupled with intense pressure from man-made fibres placed a brake on growth.

The initial numbers implied a recovery in world stocks outside China during 2016/17, of the order of 700,000 tonnes, substantially offsetting estimated downturn during the previous season.

A few months later, however, the position had shifted quite significantly, principally as a result of adjustments to production forecasts in certain countries.

By mid-August, it had become clear that the area planted in both India and Pakistan would show a significant decline in respect of the previous season. In both countries, yield prospects appeared broadly favourable, but estimates of output were adjusted lower.

In contrast, forecasts for the United States tended higher. USDA's June plantings report suggested a planted area of just over 10 million acres (about four million hectares), compared with the 8.58 million (3.47) sown to the previous crop. Despite earlier concerns with regard to dry conditions in West Texas, USDA's August report – the first of the season based on objective yields, advanced a figure of 15.9 million bales, and by early October, Washington's forecast remained above 16 million bales.

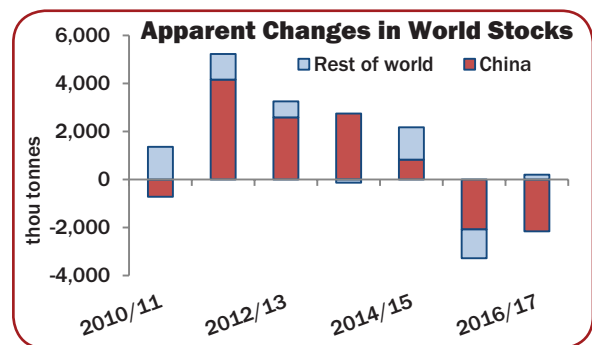
At the time of writing, the Department projects ending stocks of 4.3 million (up from the season's

beginning stocks of 3.8 million), which would represent the largest carryover since the end of the 2008/09 season. However, this figure is predicated on an increase of exports by 2.8 million to 12 million bales, a far from unprecedented figure, but one that might prove challenging in the context of reduced demand from China.

The 2015/16 season had ended with an export figure of 9.2 bales. Upland shipments to China amounted to less than 28 percent of those achieved during the previous season. A substantial recovery of demand from that market seems remote, while efforts are made to make further inroads into the still huge state reserves. US cotton has been selling quite freely during the early months of the season, and made good early progress towards fulfilment of Washington's export projection. However, the degree of price attrition that will be required to dispose of a larger US exportable surplus may prove to be one of the defining features of the season ahead.

During its later months, the strong recovery of production anticipated in Australia, following exceptionally good rains during the (Southern Hemisphere) winter months, may also become a significant market factor.

As delegates prepare to travel to this year's Plenary, the global statistical output appears less daunting than in late February. Stocks outside China, based on Cotton Outlook's estimates in mid-October, will have recovered by the end of the season by about 200,000 tonnes, a margin that would not seem to pose too severe a threat to the stability of world prices, especially when placed against the downturn (1.2 million tonnes, as mentioned above) that appears in the 'Rest of World' column for 2015/16.



China itself has proved its capacity to dispose of meaningful quantities from its state reserve, without major disruption to the global market. Much remains to be done before Chinese stocks can be considered manageable, and one can envisage China's full reintegration into the global raw cotton market. However, a significant step toward that end has been taken.

The journey from Mumbai to Islamabad has provided some surprises, and perhaps some grounds for guarded optimism with regard to the recovering health of the world cotton market.

The Natural Choice

For 95 years, Staplcotn has provided Memphis/Eastern cotton to mills around the world and developed a reputation for excellent service, trustworthiness and on-time delivery. As the oldest grower-owned cotton marketing cooperative in the United States, Staplcotn is the natural choice for your supply of quality cotton and exceptional service that's delivered with every bale.



StaplcotnSM

214 W. Market Street • Greenwood, MS 38930 • 662-453-6231 • www.staplcotn.com