



Confederation of Indian Textiles Industry November 2018

## **The Fibre Story**

Opportunities and  
Challenges in Cotton

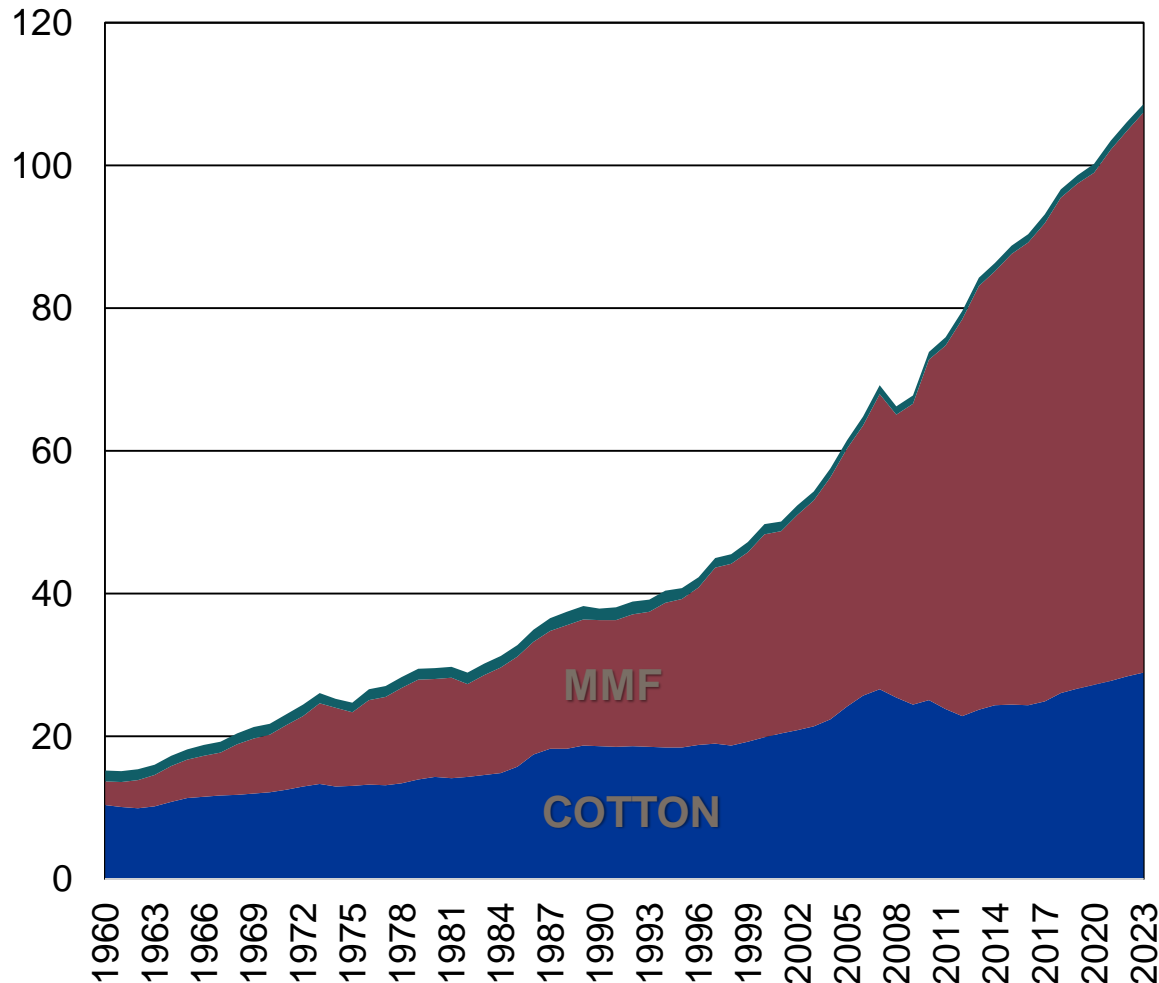


# Demand Opportunities and Supply Challenges

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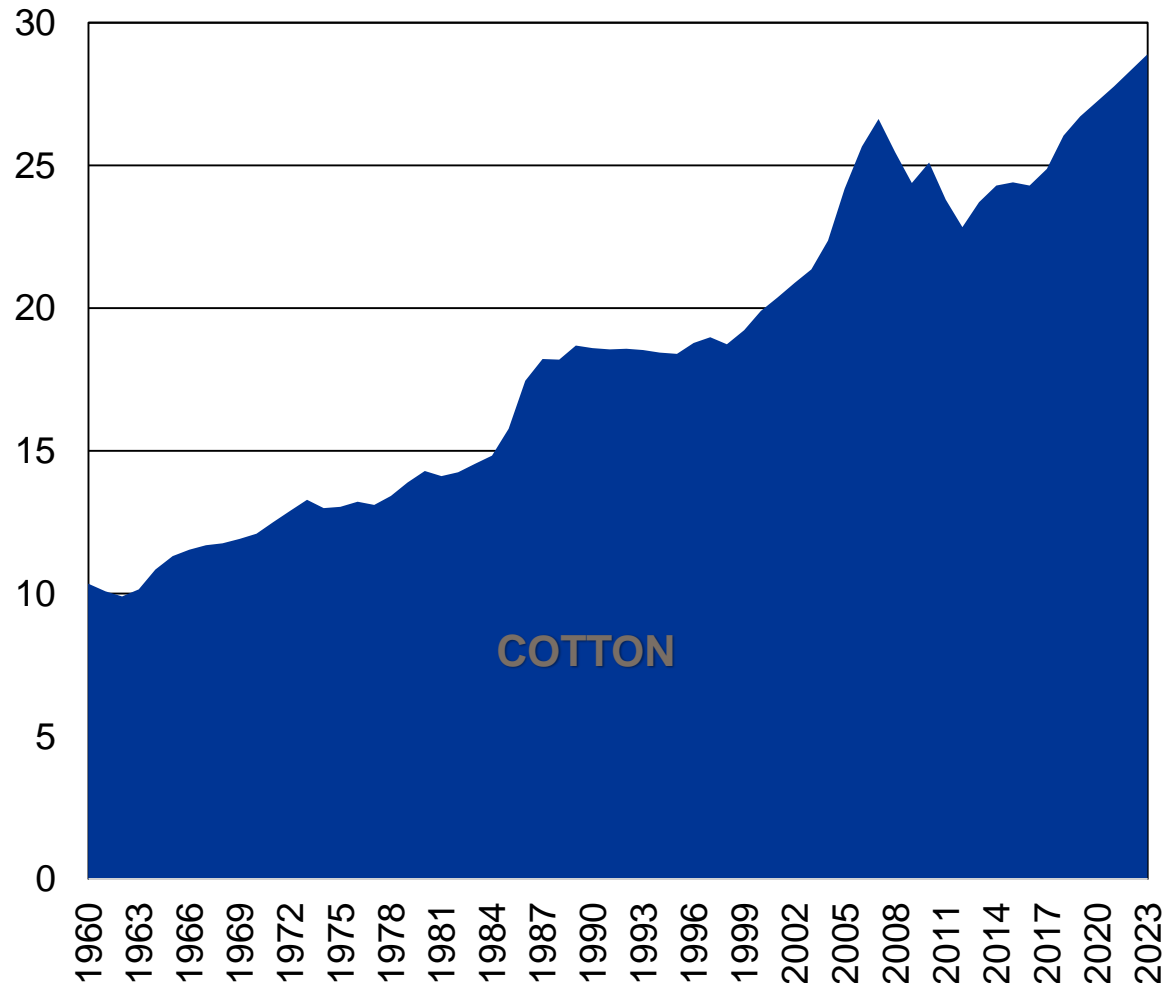
- ✓ Global fibre demand expanding at 2.8%, Cotton Demand increasing at 1.6% p.a.
- ✓ Key challenge for Cotton Demand is Supply Constraint
- ✓ Supply-Demand gap is supportive for Cotton price
- ✓ Customer preference for Sustainable Cotton products
- ✓ US-China Trade dispute – shifts in supply chain leading to opportunities for others

# Global Fibre Demand Expanding, Cotton Consistently Growing



- ❖ World GDP growth
- ❖ Emerging Market Growth
- ❖ MMF Growths with emerging markets
- ❖ World wide expansion of fossil fuels expand, so does the need for the use of the by-products.
- ❖ Cotton demand stabilizes across developing markets and stumbles a bit with the financial crisis.

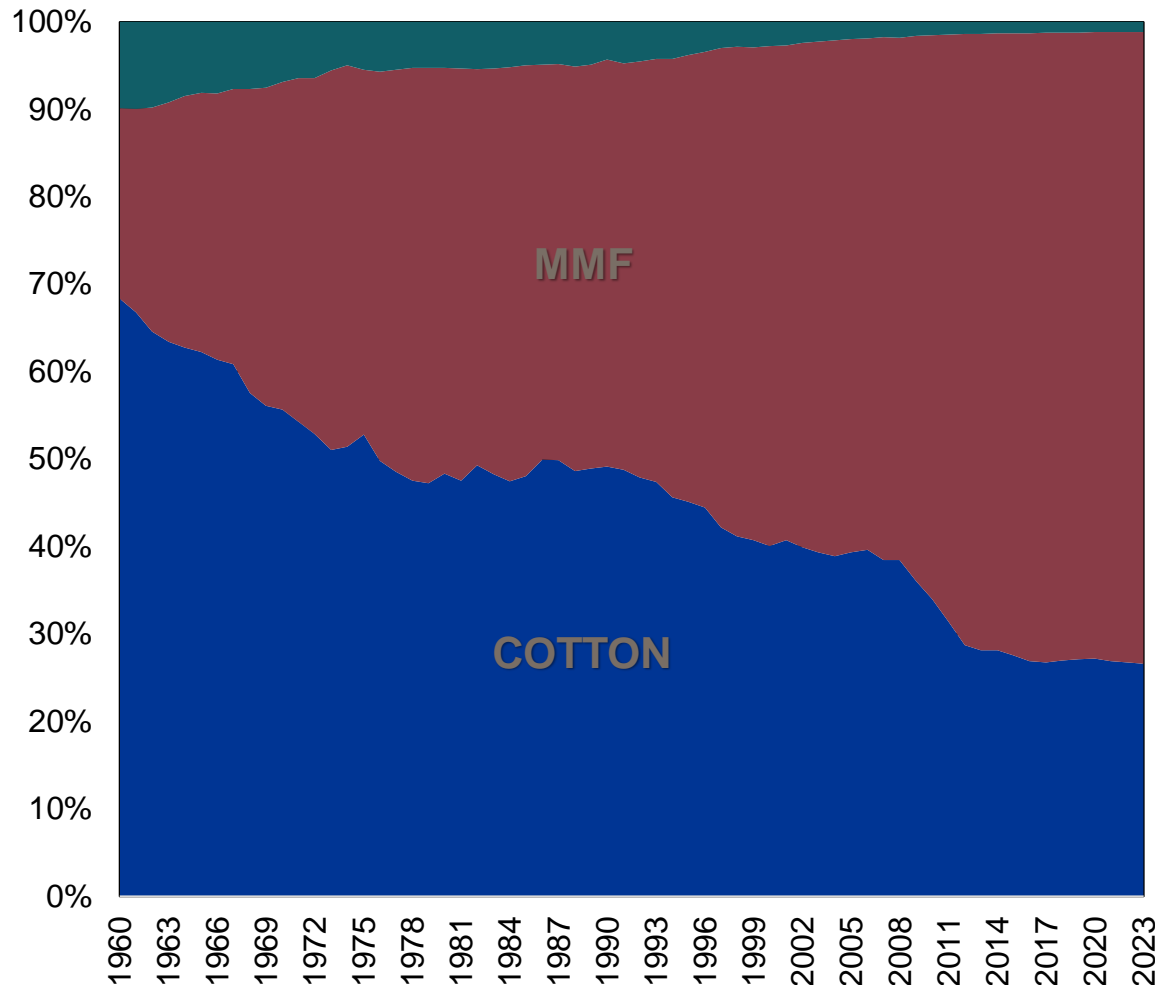
# World Cotton Demand is Growing



- ❖ Cotton long-term growth rate has been fairly stable at 1.6% annually
- ❖ Should not worry about market share with MMF and concentrate on fulfilling the larger cotton demand supply gap.
- ❖ Cotton's biggest hurdle is consistently supplying a high quality crop each year.
- ❖ Cotton opportunities to expand needs to be focused more on yield oriented than area.

# Global Fibre Market Share

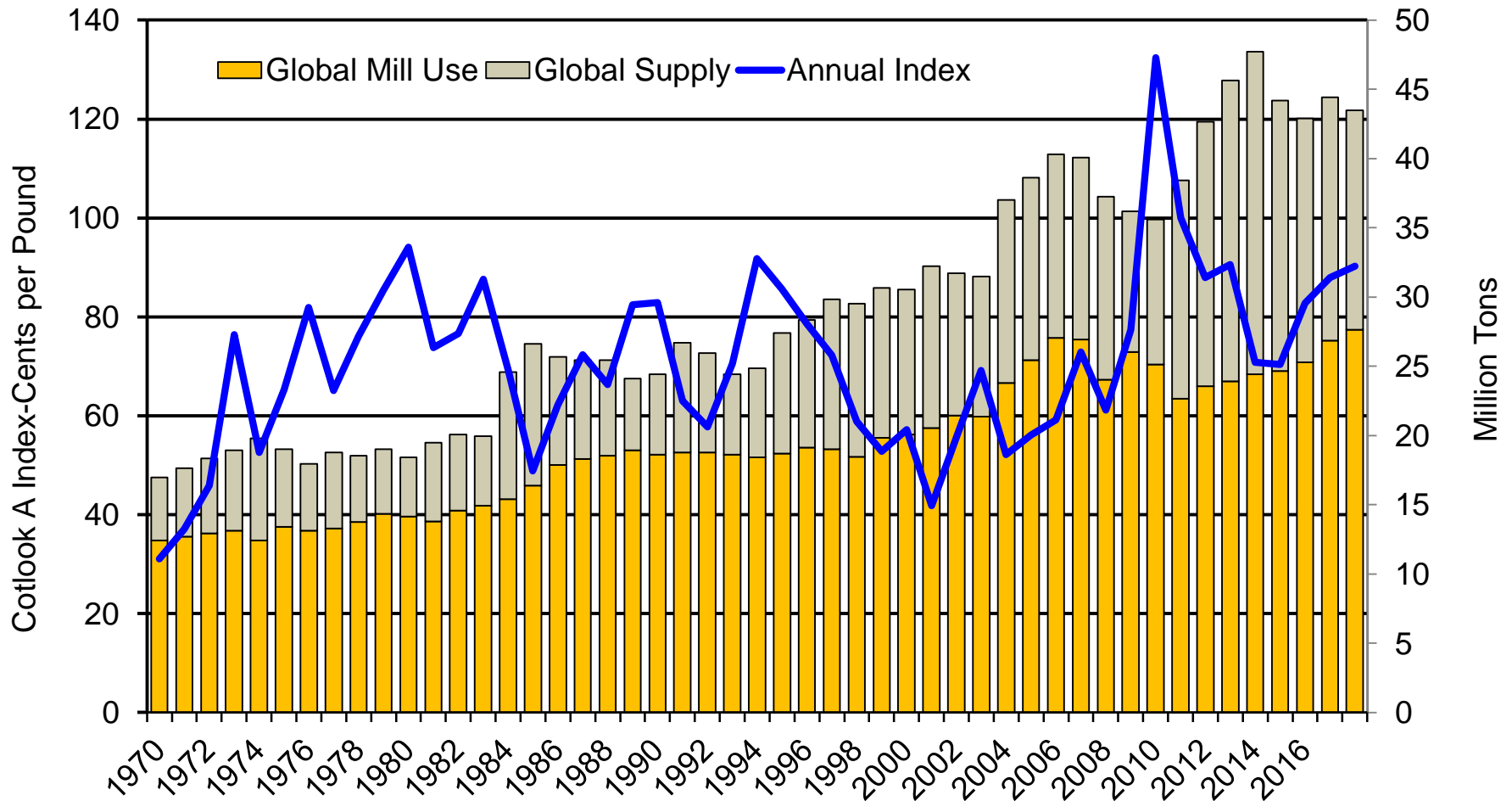
## Cotton Share expected to stabilize at around 28%



- ❖ Cotton Market Share settles around 27% to 28%.
- ❖ More important that the large fibre demand is expanding.

# Global Mill Use a Function of Supply

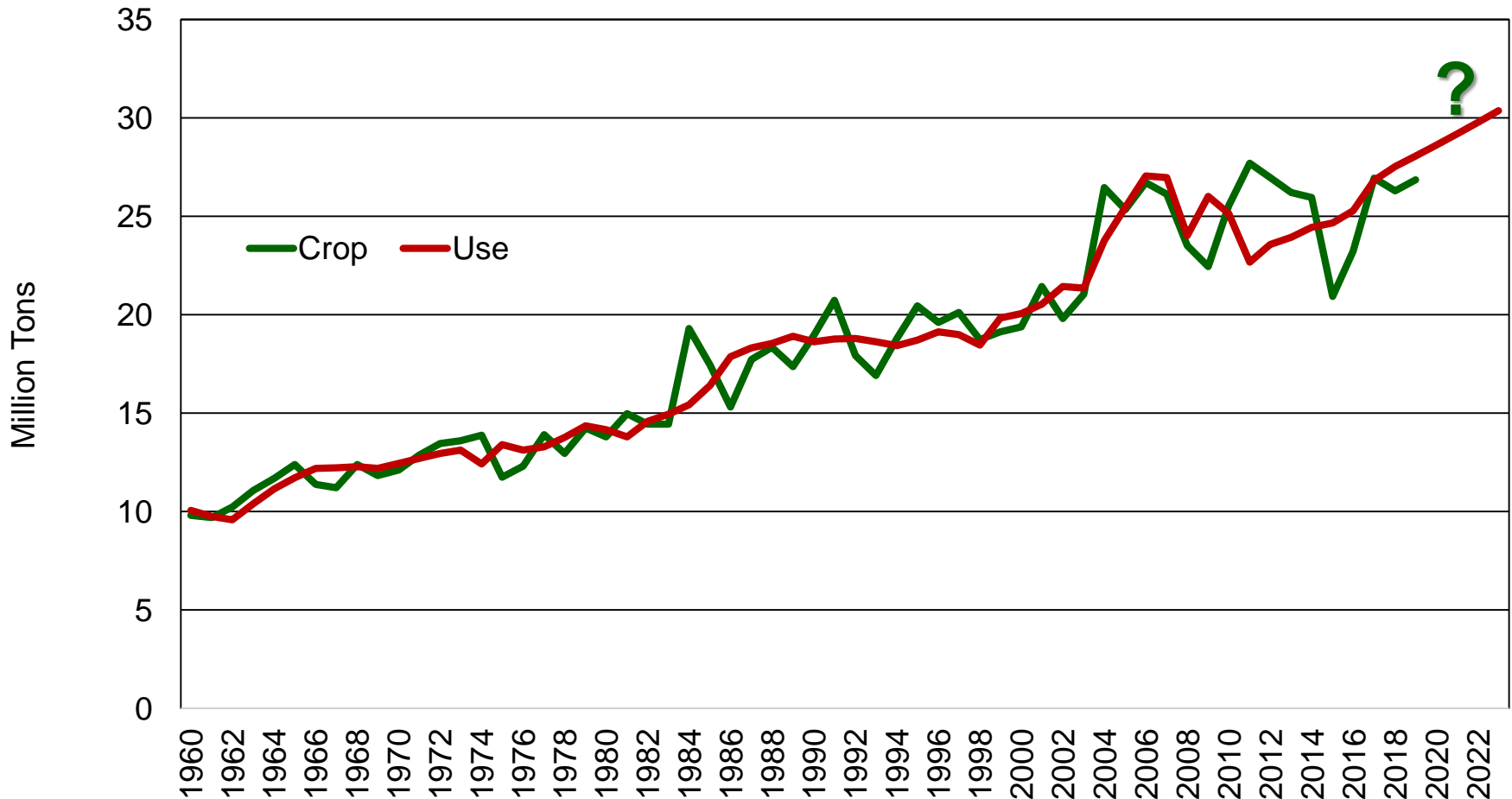
## Correlation of 93.5%



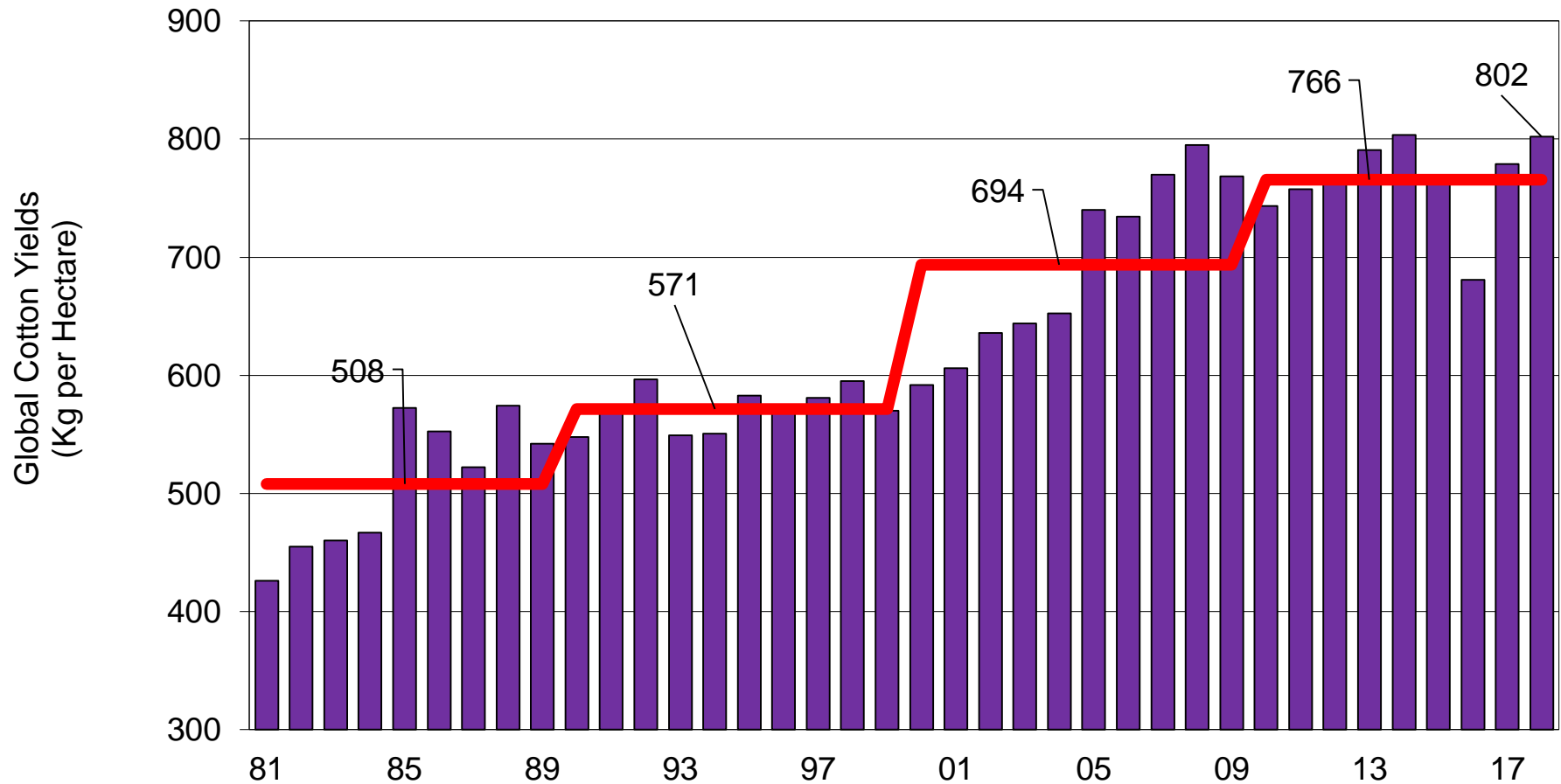


# Global Crop-to-Use Deficit

## Supply will need to rise to meet Demand

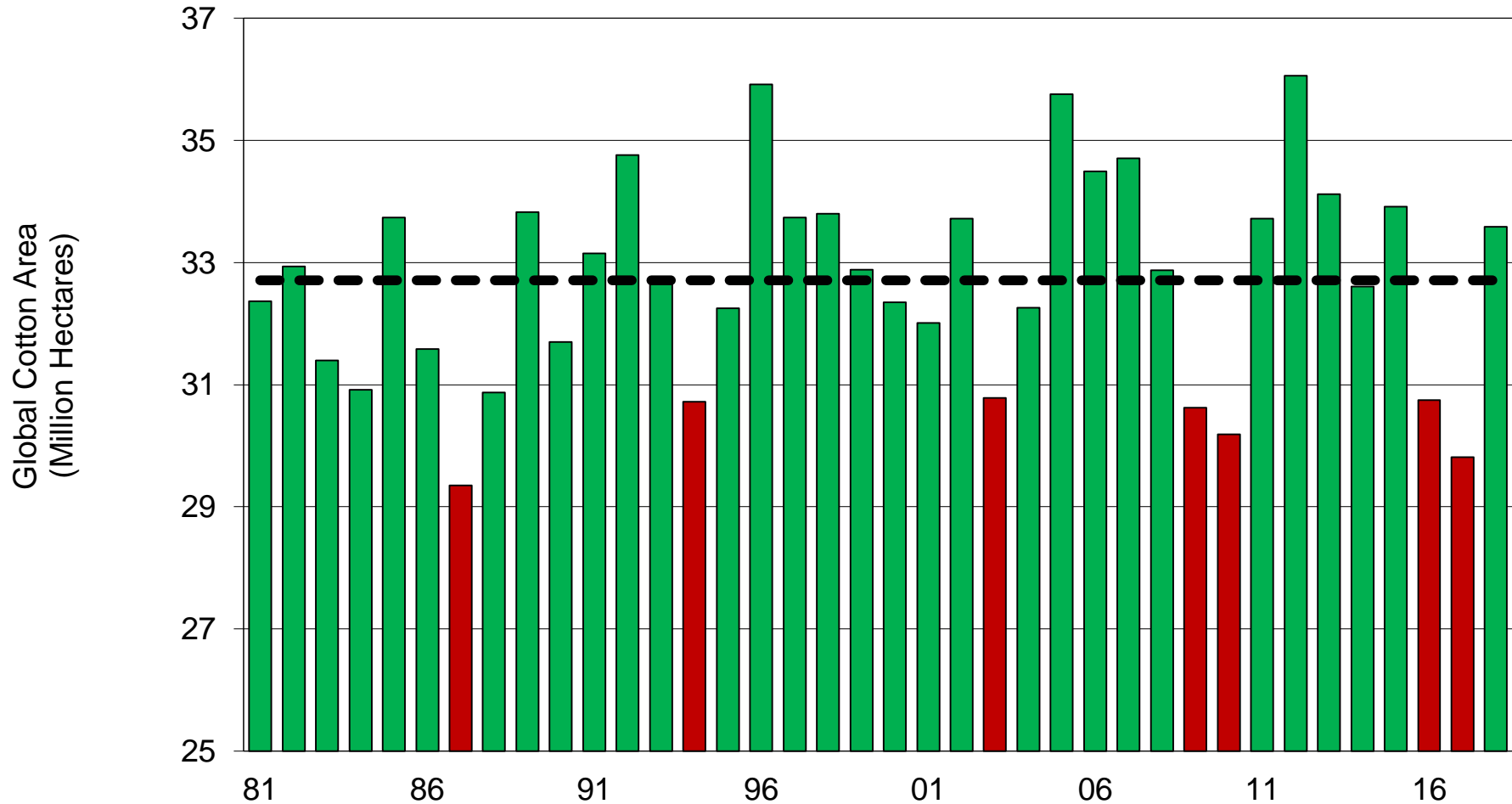


# Global Yields have steadily improved Currently above the decade average!

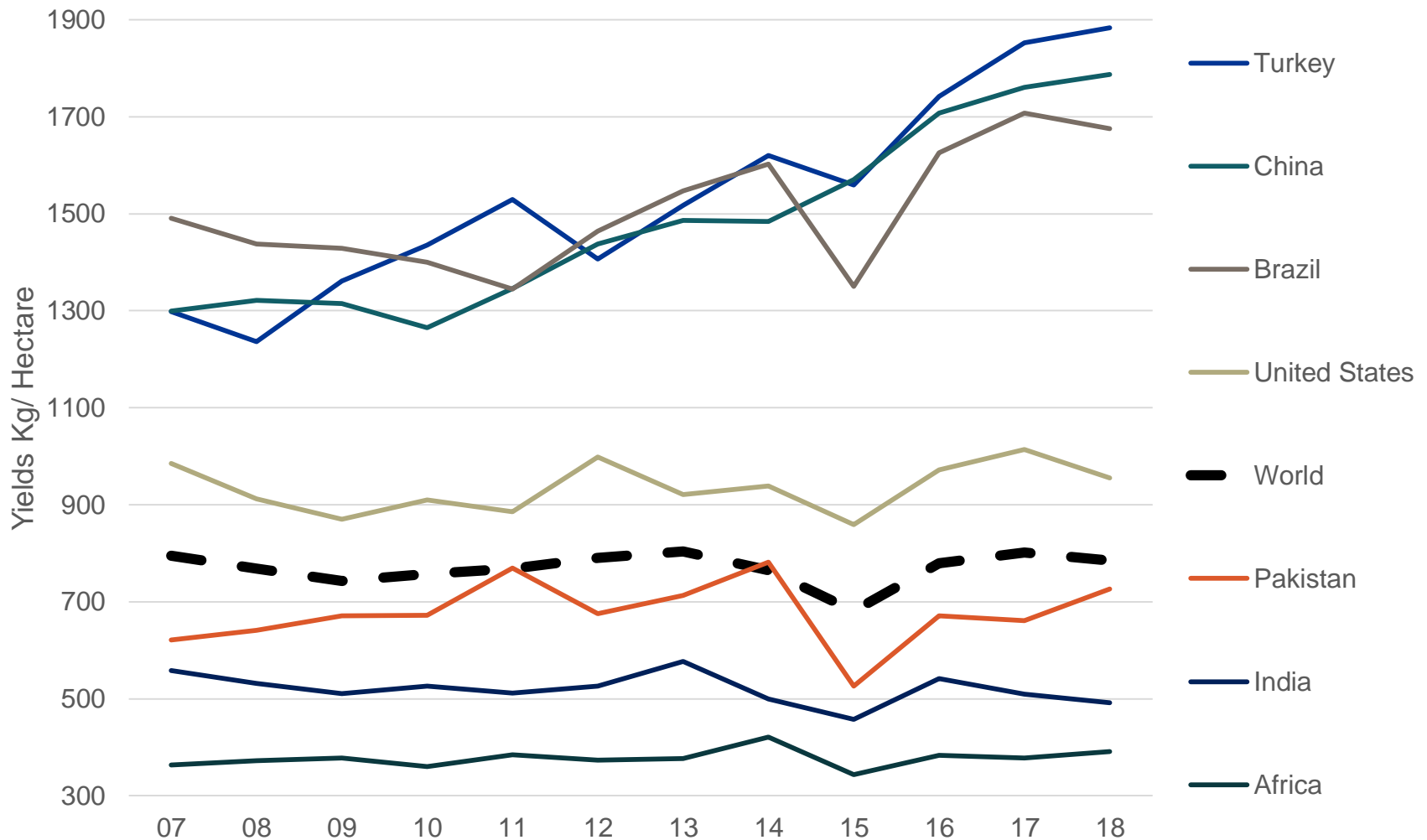




# Cotton Competing for Area and winning Should see further growth in 2019/20

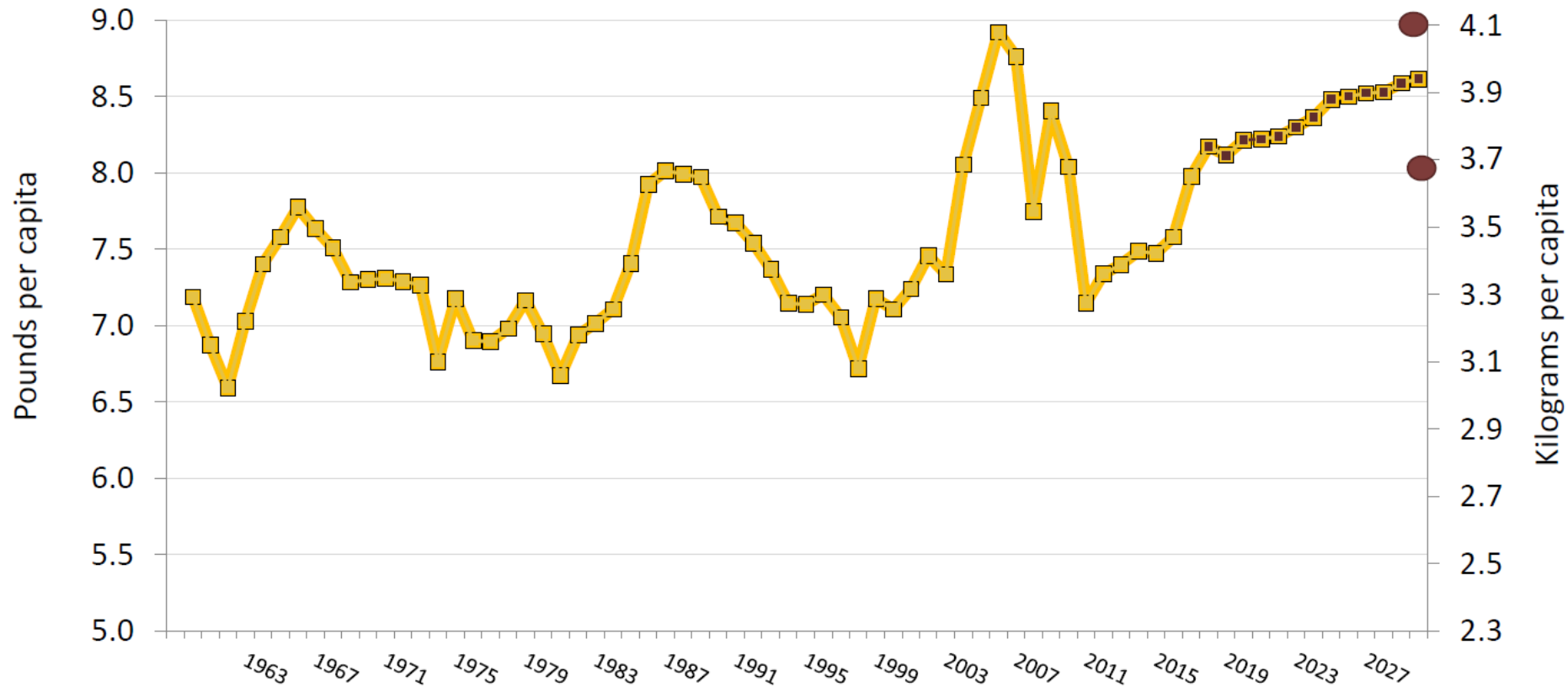


India(37%), Africa(12%), Pakistan(7%) area share at 56% but yields lag as their crop share is only 36%.



# Growing Middle Incomes are good for Cotton **Olam**

## World Per Capita Cotton Demand on the rise



Source: USDA for history. Cotton Incorporated World Fiber Demand & Supply Models for Projections

# Micro Plastics a Global Issue

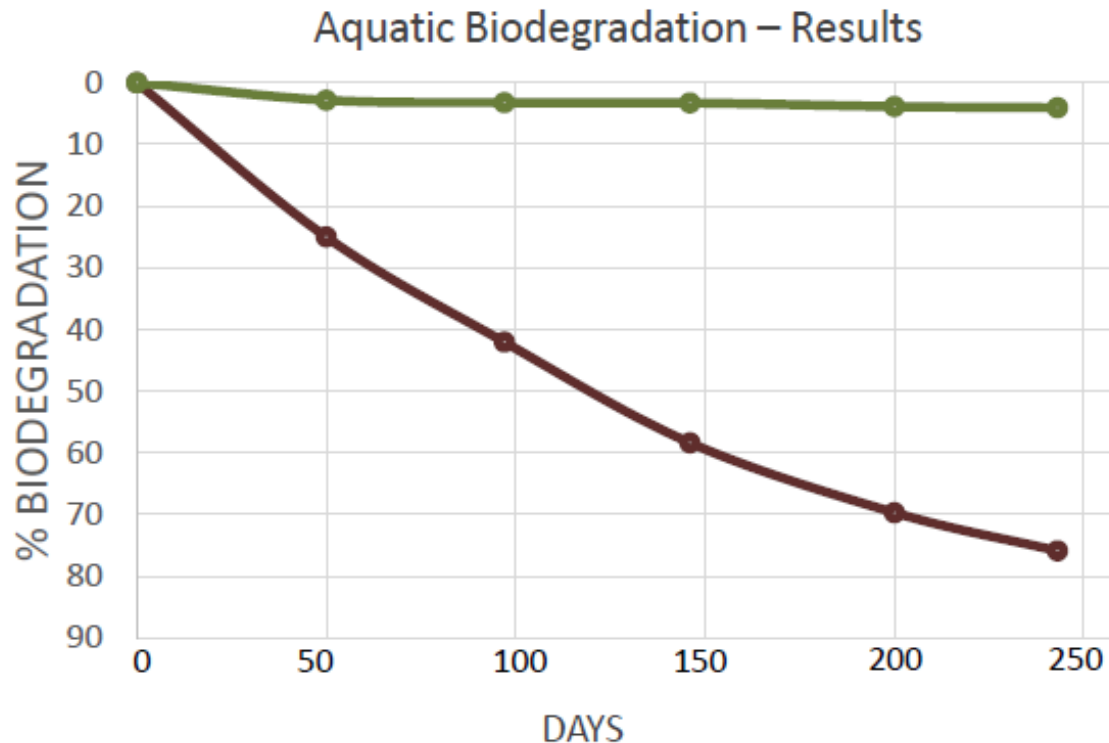
35% Micro-plastics entering ocean are from synthetic textiles



# Micro-plastic Research

Cotton could take 3.7 year and poly over 126.4 years

*North Carolina State University research on microfiber degradation*

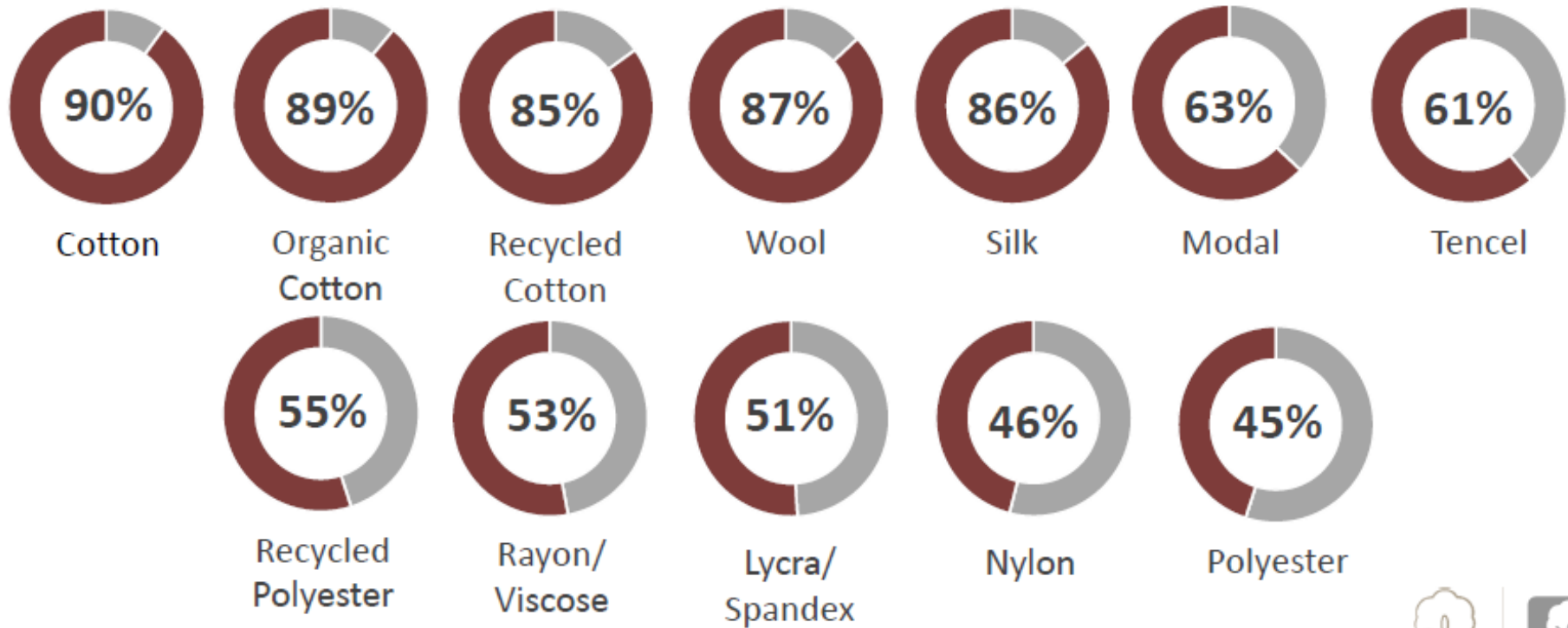


76% Cotton

4% Polyester

# Perception of Sustainability

## Consumers rate cotton the safest fibre for the environment





# USA - China Trade Dispute

## Both leaders fighting for a new era in their countries

**US Tariffs Applied:** Currently, the US has applied a total of \$250 billion worth of goods against China specifically at 10%, with the option to rise to 25% on January 1, 2019.

**Chinese Tariffs Applied:** Countering US tariffs, China retaliated with two separate rounds of \$60 billion worth of goods targeted at the US only with rates of 5% or 10%, followed with an additional \$50 billion. **China releases White Paper, laying out government's official position!**



**Time Line resolution:** In the view of President Trump, this is not an issue that has been around for 18 months, but something that has been around for several decades, so why would we expect it to be resolved in one or two meetings. **Negotiations to go into 2019.**

**Global Economic Impact:** There will be a lot of supply chain / trade channel shifting and some losses in the short run. **However, there will be some winners in this new environment.**



- ✓ India has largest area under cotton cultivation (38%, 12m hectares)
- ✓ Current crop of 6M tons at current yield of 500 kgs/ha has the potential to increase to 9.6M tons if world average yield of 800 kgs/ha is achieved
- ✓ India has a long heritage in textiles and is the 2<sup>nd</sup> largest yarn manufacturer but has lost market share in textile products to competing nations over last decade
- ✓ Needs to develop its garment industry to take advantage of the shift in supply chain; policies required for textiles supportive environment.
- ✓ Take advantage of the demand for sustainable and traceable textile products which is the need of the hour.