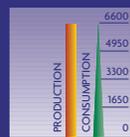


Million metric tons, situation in 2002.



Trade flows of cotton in quantity, 2001.



Production, consumption and trade of cotton.

The United Nations SITC (revision 2) defines cotton as raw cotton SITC code 263.1.

Cotton is grown mainly for spinning yarn. Its seeds are used for extracting edible oil, and the by-product of the oil extraction process – cottonseed meal – is used for animal feed. Cotton is a shrubby plant whose seeds are contained in capsules called bolls. Each seed is surrounded by cotton lint, which is normally white or cream-coloured. Different-coloured varieties have also been developed. Cotton grows in warm climates. It is planted in spring or early summer and harvested in late fall or early winter.



Cotton seed.

Cultivation

Cotton growing requires a large quantity of chemicals to fight diseases and pests, especially the boll weevil. Considerable pre-harvesting financing is needed to buy these chemicals, which is a significant problem for small and poor farmers. Genetically modified cotton can resist some insects and can withstand the application of herbicides. About 20% of cotton area is planted with such varieties. Some cotton is grown organically. In 2001, the estimated cost of producing one kilogram of cotton was 51 cents in China, 64 cents in Benin and 149 cents in the United States.

History and politics

The word cotton is derived from the Arabic word al qatan. Fibre and boll fragments found in Mexico are about 7,000 years old, and the earliest use is in Pakistan, at Mohenjo-Daro, a site over 5,000 years old. Cotton use in Egypt also goes back almost 7,000 years.

Cotton has had an important and controversial role in world history. In the 1830s, it represented almost two thirds of US exports and was a source of pride and confidence for the South. In the context of the Civil War, Southerners thought that by not furnishing cotton for three years they could topple England and the whole civilized world with it. "No, you dare not make war on cotton! No power on earth dares make war upon it. Cotton is King!" was the proclamation.

Today, subsidies to cotton growers in developed countries, particularly the United States and the European Union, are the subject of intense international debate. This support encourages cotton production in areas where it is not efficient, leading to reduced prices and harming low-cost cotton producers in other countries, especially West and Central Africa. At the World Trade Organization, Brazil has filed a formal complaint regarding US cotton subsidies. An interim WTO decision issued on 26 April 2004 found that U.S. cotton subsidies violate WTO rules. Moreover Benin, Burkina Faso, Chad and Mali have launched an initiative at the WTO demanding the elimination of cotton subsidies, compensation for the harm caused by them and assistance to development of their cotton sector.

Harvesting and ginning

Cotton harvesting is done either by hand (in some developing countries) or mechanically. Mechanical harvesting is preceded by application of a chemical-defoliant spray, which removes the leaves. Lint is separated from the seeds through ginning and then packed into bales. The lint is then carded, combed and spun into yarn or thread.



Cotton harvesting machine.

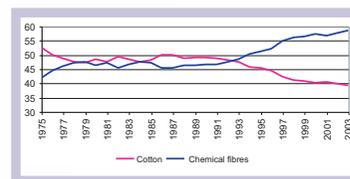
The cotton gin, invented in the United States in 1793 by Eli Whitney, increased the speed and efficiency of lint separation. Modern gins also dry and clean the fibre and package it into bales.

The fibre

Each cottonseed can produce up to 20,000 cellulose fibres. Quality depends on sunlight, temperatures during growth, inputs used and seed variety. Fibre quality is evaluated by measuring length, strength, fineness and colour (measured by reflectance spectroscopy and evaluation of whiteness/yellowness). Uniformity and trash content are also key determinants of cotton's value.

Cotton fibre competes with polyester fibre in the textile industry. Over the last 40 years, cotton's share in total fibre consumption has declined from 70% to about 40%, mostly because of polyester's lower prices. Recent low cotton prices led to an increase in cotton consumption. China accounted for 83% of this increase, mainly for textile exports.

Consumption of major textile fibres (% of total consumption.)



Source: ICAC, Commonwealth Secretariat and Fiber Economics Bureau.

International trade structure

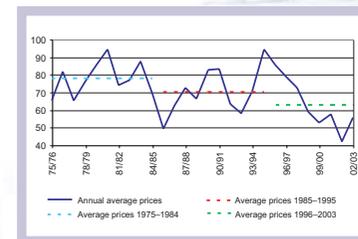
While many companies trade cotton, 19 companies handling at least 200,000 metric tons of cotton a year are responsible for close to 40% of world production. Liverpool is the major center for cotton merchandising.

The New York Board of Trade is the principal futures market for cotton, where contracts for US cotton are specified. The Cotlook A index is the principal measure of international cotton prices.

The International Cotton Advisory Committee (ICAC)

ICAC is an association of 43 governments having an interest in the production, export, import and consumption of cotton. ICAC was founded to promote international cooperation in cotton affairs, and its role is to raise awareness, provide information and serve as a catalyst for cooperative action. It provides statistics, identifies emerging changes in the structure of the world cotton market, serves as a clearing house for technical information and a forum for discussion of cotton-related issues, and represents the international cotton industry before UN agencies and other international organizations.

International prices of the Cotlook A index (US cents/lb.)



Source: ICAC, World Statistics 2003, cotton prices as measured by the Cotlook A Index produced by Cotlook Limited.

To learn more

UNCTAD/INFOCOMM, Market Information in the Commodities Area www.unctad.org/infocomm

International Cotton Advisory Committee www.icac.org