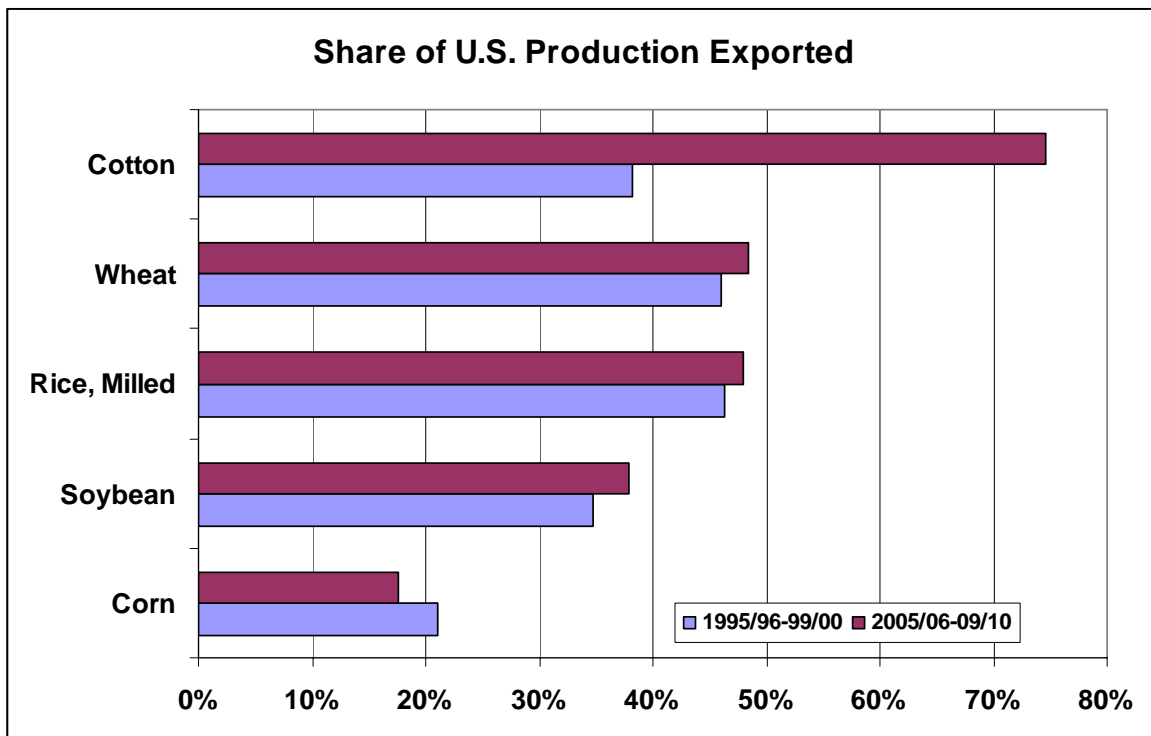


Cotton: World Markets and Trade

U.S. Cotton Has Become More Export Dependent than Other Commodities



Nearly 75 percent of the cotton produced in the United States during the last 5 years was destined for foreign markets, nearly double the level of ten years earlier. Falling domestic mill use has been the primary reason for the expanded export dependence, as production has remained relatively constant. With little prospect for any recovery in mill use and long term projections for stable to raising production, the cotton industry will almost certainly remain highly dependant on foreign markets.

However, the international market is heavily influenced by government policies (see May 2009 circular; <http://www.fas.usda.gov/cotton/circular/2009/May/Cottonfull0509.pdf>) which directly affect import demand in major markets such as China, and production and relative competitiveness of major competitors such as India and Central Asia.

Polices and policy changes are hard to predict and often contribute to volatility in international trade. That in turn, causes greater variability in U.S. stocks, which have nearly doubled and then halved in the last few years.

