



2014 WORLDWIDE COTTON MARKET OUTLOOK

**A look ahead to 2014 for cotton and textile
professionals around the globe and those serving
the cotton market**

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COMMUNICATION & INFORMATION CENTER FOR SPECIALIZED AGRICULTURE WORLDWIDE

Introduction

Every summer, the editors and business staff of Cotton International gather for a day of intense discussion regarding the trends, challenges and opportunities facing the market. They evaluate and debate the forces shaping the market and implications for cotton professionals around the globe. What emerges helps them craft the following year's strategic plan and major coverage areas.

This year, we give you a sneak peak with this special Executive Summary that we hope provides some guidance as you shape your business strategy for 2012.

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Market Volatility

With the exception of some advanced hedging tools, people working in the cotton value chain are often subject to the whims of the market. For the most part, the cotton market has been fairly stable, moving up and down a relatively narrow trading range over the course of decades. Since 2008, however, things have been extremely volatile. Some of the largest and most respected players in the cotton industry were forced out of the industry completely. Virtually all price discovery comes from the U.S., so other countries are exploring ways to steady the market by getting a better picture of the global situation.

Logistics

It's bad enough that the global logistics infrastructure needs work, but the situation gets worse when you consider that some of the established and rising powers on the production side face enormous challenges. And, with the rising cost of fuel and insurance, this situation might actually drive companies to source cotton close to their mills, rather than importing it from across the globe. Eventually, this situation could even lead to mills returning to the United States in greater numbers.

Competition with Synthetics

Over the long term, this might be the greatest threat of all to cotton. Synthetics are easier to work with, the supply doesn't get wiped out by a sudden drought or flood, and because their supply is stable, price swings are far less dramatic than cotton's. To date, consumer demand for cotton has more than offset these problems, but if that demand wavers, mills would be thrilled to shift away from cotton. One positive note: Even though cotton has lost – and will continue to lose – market share to synthetics, the growth of the world's population is rapid and should keep overall cotton consumption rising in absolute numbers.

Competition with Food Crops

Similar to the above point, the culprit here is trying to find a way to get the finite amount of arable land to continue feeding and clothing a growing population. For the world's major producers, cotton is a significant part of their economies and thus an issue of national security, but in the big picture, food is more important than fiber. Yields have already had a big jump due to genetic engineering, so there aren't any miracle cures that can show up and solve this problem any time in the near future.

Adverse Weather

There's virtually nothing anyone can do about the weather, although research is being done to develop better resistance to heat, cold and drought. Inclement weather is a potentially devastating factor in the cotton trade, not only because it can cripple a country and its growers (as we saw in Pakistan last year), but also because it has a massive domino effect on prices ... which leads to volatility ... which leads mills into panic buying ... and ultimately results in a lot of defaults. That's just the price of doing business in cotton.

Political Instability, currency battles, trade disputes

As resources – both food and fiber – become increasingly valuable due to growing populations, countries begin to look at their own self-interests a little more closely. When the cotton shortage started last year, Indian officials sought to protect the domestic textile industry by banning exports and guaranteeing the local supply. This year, there is still a cap on exports, but it's larger (7.5 million bales vs. 5.5 million). Cotton is also affected by other economies and political factors that can't effectively be controlled or predicted.

Contract Sanctity

If people can't trust their business partners to meet the terms of their contracts, trade will collapse.

Bad Press

It's commonly known that cotton is among the neediest of crops, in terms of water consumption and use of inputs (fertilizer, pesticides/herbicides). In the age of environmentalism, that's a huge black mark. It doesn't help that there are several different cotton agendas at work – organic vs. Free trade vs. traditional – and they all spend a lot of time denigrating the others. When natural fibers of all kinds should be pooling their efforts to fight against polyester, acrylic and other synthetics, they instead attack each other.

About Cotton International

Cotton International Magazine is the leading voice for news and information on the global cotton trade. Whether thru CI magazine, the Cotton International Annual edition in January, CI eNews (weekly), cotton247.com or events. CI is at the forefront in serving the informational needs of cotton and textile professionals. Cotton International is a proud member of the Meister Media Worldwide family of media and marketing services focusing on specialty agriculture and horticulture markets. www.MesiterMedia.com

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ABOUT COTTON INTERNATIONAL

Cotton International, published continuously since the 1930s, is the number-one media brand for the global cotton industry. It serves influential cotton merchants and traders, spinners and weavers, and other key industry players around the globe, from bale to bobbin and on to retail shelves.

Cotton247.com is the digital location to find out the latest news and trends in international and U.S. cotton markets. The site features relevant content from integrated, cross-market resources Cotton International and Cotton Grower. Featured videos, useful analysis, and opinion help round out this industry resource.

Cotton International's corporate headquarters are located in Willoughby, OH, in the Cleveland metro area where its parent company, Meister Media Worldwide, was founded in 1932.

About Meister Media Worldwide

Meister Media Worldwide, headquartered in Willoughby, Ohio, provides integrated media solutions for worldwide specialized agriculture. A leader in the industry, the company provides information and networking opportunities to global markets, including fruits and citrus, vegetables, cotton, ornamental horticulture, precision agriculture, plant protection and Latin American agriculture. Founded in 1932, Meister Media Worldwide now produces 13 regular magazines, along with eNewsletters and more than 20 websites, as well as trade shows and exchange events. In addition, Meister produces custom print products, web development, videos and strategic business development services. Contact us at www.MeisterMedia.com.

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