paid when the effective price is below the target price (71.25 cents per pound or 1.15 cents lower than under the previous farm bill)[1].

The Adjusted World Price fell below the loan rate of 52 cents per pound during the second week of October 2008 and has remained lower than this threshold rate up to date, making LDPs available to producers. About 1.5 million tons, or half of the 2008/09 U.S. crop, was placed in the government loan program as of mid-January 2009.[2, 3] The effective price has remained below 71.25 cents per pound for most of the season to date, allowing the payment of CCPs to eligible farmers.

According to the Secretariat's understanding of current policies and expectations regarding cotton prices, total U.S. support to the cotton industry in 2008/09 could range from US$2.4 to 2.8 billion.

Pakistan

The Trading Corporation of Pakistan (TCP) purchases cotton when domestic prices fall below the minimum price announced by the government. The TCP had purchased in December 2008 and January 2009 around 95,000 tons of cotton from ginners, or about 5% of the estimated 2008/09 crop, at around 3,200 Pakistanese rupees per maund (49 US cents per pound in December 2008). The TCP could buy more cotton during 2008/09 if necessary. The Secretariat estimates that total purchases by the TCP up to now have totaled around 650 million Pakistanese rupees or US$8 million.

Turkey

The government of Turkey pays a premium per kilogram of seed cotton to cotton producers (the premium is higher for seed cotton produced from certified seeds). The premiums announced for 2008/09 are 0.27TRL/kg for seed cotton produced from regular seeds (or 20 US cents per pound of lint as of January 30, 2009) and 0.32TRL/kg for seed cotton produced from certified seeds (or 23 US cents per pound of lint as of January 30, 2009). These premiums are slightly lower than in 2007/08. Assuming that 90% of the Turkish cotton production is produced from certified seeds, and that all cotton producers will apply for and receive the premium, then the Secretariat estimates that total payments to cotton producers in Turkey could amount to 143 million New Turkish Liras, equivalent to US$88 million (as of January 30, 2009). This is much lower than the total payments provided in 2007/08 (US$243 million), due mainly to the decline in production.

European Union

A partially decoupled support program has applied to the cotton sectors of Greece and Spain since 2006/07. In 2008/09, the program was similar to the program applied in 2007/08. A preliminary estimate of total coupled payments to the cotton sectors of Spain and Greece is 200 million euros or US$256 million as of January 30, 2009 (151 cents per pound in Spain and 36 cents per pound in Greece).

Mexico

In Mexico, a support price mechanism exists for major agricultural commodities, including cotton. The 2008/09 target price for cotton is 12,600 pesos/ton (or 40 US cents per pound as of January 30, 2009). The actual amount of support provided by the government to cotton producers is equal to the difference between the target price and the market price. The Secretariat will calculate the total amount of support later in the season.

THE STRUCTURE OF WORLD COTTON TRADE

By Andrei Guitchounts, ICAC

Sharp price volatility in the cotton futures market during March 2008 led to substantial losses by cotton merchants, causing some of them to experience bankruptcy or to exit the cotton business. Futures prices were extremely volatile during March 2008, mostly because of increased speculative activity, and the price swings were not mirrored in the physical cotton trade. When prices for futures contracts hit highs of US$1 per pound at the Intercontinental Exchange (ICE), buyers of cotton were not willing to pay. The short-lived spike in futures prices during March caused a liquidity crisis. As a result, some merchants hedging their positions at the exchange were faced with huge margin calls and were forced to liquidate their positions at a loss. Many could not recoup the losses in the physical market. As a consequence of these events, Paul Reinhart based in Dallas, Texas filed for bankruptcy protection in October 2008. Paul Reinhart, America is a subsidiary of Paul Reinhart AG of Switzerland, which continues operations. Paul Reinhart was founded in 1788 and started U.S. operations in 1992, becoming the world's largest cotton merchant not headquartered in the USA during the past decade.

Weil Brothers Cotton, another company among the group of the world largest merchants, announced in November 2008

1) The effective price is the DP plus the higher of the national average market price paid to producers or the loan rate.
2) For more details about certificate exchange gains and marketing loan gains, refer to the annual ICAC report on Production and Trade Policies Affecting the Cotton Industry.
3) For comparison, as of mid-January 2008, about half of the 2007/08 was also placed in the government loan program.

that would exit the cotton business in 2010, as a result of the March market events and because risks associated with cotton trade have become greater. Weil Brothers Cotton was founded in 1878, is based in Montgomery, Alabama and is affiliated with Weil Brothers & Stern in Liverpool.

The study of the structure of world cotton trade in 2008 reflects a reduction in volumes traded by a number of larger companies as a result of reduced import demand and mill use. The study indicates that the cotton shipping industry still remains highly competitive, but has become more concentrated over the last fourteen years. During 2008, estimated volumes traded by the largest companies declined to levels traded in 2003. However, the number of companies in the category declined. The Secretariat has studied the structure of world trade in cotton since 1994 and compiles a list of cotton-trading companies active as of the end of each year. Most of the firms are members of the 16 associations comprising the Committee for International Cooperation between Cotton Associations (CICCA). The latest list was compiled from seven annual surveys mailed to all members of CICCA, from industry publications and personal knowledge. The total number of responding companies from the eight surveys is 106. The list of cotton trading companies consists of 454 firms engaged, at least in part, in international trade in cotton. Companies are divided into four categories by relative size. Organizations are also grouped by type of ownership: government, cooperative or private. The latest list of cotton trading organizations consists of 23 government organizations, 9 cooperatives and 422 private firms.

Largest

The 1994 study indicated that the 19 largest cotton organizations (annual volume: more than 200,000 tons) handled 6.8 million tons, or 36% of world production. 14 of the largest organizations were private or cooperative cotton companies, accounting for an estimated 5.5 million tons, or 29% of world cotton production. The conclusions of the study were that the world cotton industry was not highly concentrated by the standards of industrial markets and that the international cotton shipping industry was highly competitive. Since 1994, some departures and additions to the group of the largest cotton trading organizations have taken place, and it is obvious that some concentration occurred.

The most recent study based on volumes traded in 2008 indicates that there are 14 companies in the largest category, six fewer than in 1994 and 2 fewer than in 2007. In 2008, the largest companies handled 6.6 million tons, or 28% of world production. The volume handled by 16 largest companies in 2007 was estimated at 9.2 million tons, or 35% of world production and the largest volume handled by the largest companies since 1994. In 2008, the departure of two of the largest companies and reduced volumes of trade led to a decline. Among the largest firms, 10 are non-governmental companies handling 5.6 million tons, or 24% of world production, 2.3 million tons less than in 2007. Six of the world's largest cotton trading companies are based in the USA, three in Uzbekistan, and one each in France, Japan, China (Mainland), Singapore and the UK.

As a sign of market concentration, several of the largest U.S. private cotton merchants grew significantly during the past several years because of increased supply and exports, with 2008 being an exception. Allenberg with Dreyfus, Cargill Cotton, Dunavant, and Ecom remain the largest cotton companies in the world. These companies, along with Olam, registered their affiliates in China (Mainland) and entered domestic trade in that country, adding more volume. However reduced imports by China (Mainland) in 2008 and declining U.S. mill use may have led to reduced volumes in 2008. The U.S. cotton cooperative Staple Cotton Cooperative Association remains among the world's largest companies. Estimated volumes traded by Calcot and Plains Cotton Cooperative Association place these cooperatives among large trading organizations (annual volume: 50,000 tons to 200,000 tons).

Olam International of Singapore acquired Queensland Cotton Corporation of Australia recently. Olam International, a spinner/merchant based in Singapore, grew and joined the group of the largest cotton companies in 2004. Olam is engaged in ginning, warehousing and merchandizing of cotton from Central Asia, West and East Africa and Australia, mostly trading cotton in Asia, including China (Mainland). Olam also buys cotton for its own consumption.

Plexus Cotton of Liverpool, UK also grew during the past several years after merging with Joseph Walker & Company of Columbia, South Carolina in 2003, and following the recent acquisition of Central Cotton Company of Liverpool.

Chinatex (China National Textiles Import and Export Corporation) is a government company in China (Mainland) and was added to the group of the world's largest companies because of increased volumes of imported cotton handled since 2004. It is estimated that Chinatex has been the third largest importer in China (Mainland) since 2006, after the Zouping County Weiqiao Cotton Mill and the China National Reserve Cotton Management General Company. In addition, there are approximately half a dozen government organizations and private mills importing large volumes of cotton in China (Mainland), plus approximately one and a half dozen organizations importing medium volumes. Chinatex was founded in 1951 and is engaged in foreign and domestic trade and production of textiles. Chinatex is headquartered in Beijing and has 30 subsidiaries and 40 manufacturing mills producing yarns, fabrics and garments. Chinatex is a major trader and distributor of cotton, other textile raw materials, and textiles and garments in China (Mainland), but Chinatex also aims to become one of the largest manufacturers and exporters of fabrics and garments.

Toyo Cotton based in Japan and Copaco based in France remain among the world's largest cotton trading organizations. Three government organizations in Uzbekistan trade approximately equal volumes of cotton allocated by the government for exports.

Large

The most significant reduction in the number of merchants during 2008 took place in the group of large companies (annual volume: 50,000 tons to 200,000 tons). It is estimated that the number of large companies declined from 50 merchants active in 2007 to 44 merchants trading cotton in 2008. The volume handled by the current group of large companies did not change in 2008 and is estimated at 4.2 million tons, accounting for 18% of world production, 400,000 tons fewer than in 2007. Compared with 2001, the volume traded by large companies in 2008 rose by 300,000 tons. The composition of organizations defined as large companies has changed the most since 1994. The number of large government organizations declined from 15 to 4 as a result of privatization, mostly in Africa. The 1994 study indicated that there were 51 large cotton-trading companies handling 4.1 million tons, including 35 non-government owned large organizations accounting for 2.5 million tons, or 13% of world production. As of 2008, 41 private large companies were accounting for 3.9 million tons, or 16% of world production. The 51 largest and large non-government cotton trading companies account for 40% of world production, compared with 42% handled by 49 firms in the same categories in 1994.

Thirteen of the 43 large cotton traders are based in the USA. Five large firms are based in India; three in Australia; four in Switzerland and three each in UK and Turkey.

Among the most noticeable changes in the group is the entrance of a large commodity trader, Noble Resources Group, into cotton. Noble Cotton is headquartered in Singapore with regional offices in India, USA, Brazil, China (Mainland), Uzbekistan, Australia, Turkey and Cote d'Ivoire. The Noble Cotton is expanding operations in China (Mainland), India, Brazil, Uzbekistan, USA and West Africa. Colly Cotton Marketing of Australia ceased cotton-trading operations.

Medium

There are currently 45 firms in the medium category, three more than in 2007, with an estimated volume of 1.3 million tons. The volume traded by medium sized companies has declined by 100,000 tons since 2001. In 1994, there were 50 companies with approximately the same combined volume. However, changes in individual firms comprising the group have occurred. Among the 45 medium sized companies, 6 are based in the USA and 4 in Switzerland.

Specialized

The most recent survey includes 351 firms in the category of smaller companies accounting for 1.7 million tons of combined volume in 2008, little changed over the past 7 years. A very large number of specialized cotton trading companies are based in the USA, Turkey, Poland, India, Switzerland, Germany, Egypt, Brazil and Italy. Several of the European companies went out of business during this decade.

A full list of cotton trading companies, banking, ocean freight and insurance organizations with contact information can be obtained at www.icac.org.

COTTON TRADING ORGANIZATIONS

(FIRMS ARRANGED BY SIZE, ESTIMATES MADE BY THE SECRETARIAT *)

Company Name	Country	Type
Largest Organizations (annual volume: more than 200,000 tons)		
Allenberg Cotton Co, Cordova 1/	USA	Private
Cargill Cotton, Cordova 2/	USA	Private
Dunavant Enterprises Inc, Memphis 3/	USA	Private
Staple Cotton Cooperative Association, Greenwood	USA	Cooperative
Olam International Ltd, Singapore 4/	SINGAPORE	Private
Chinatex, Beijing, China	CHINA (MAINLAND)	Government
Plexus Cotton Ltd, Liverpool 5/	UK	Private
Ecom USA Inc, Dallas 6/	USA	Private
Joint-Stock Company Uzinterimpex, Tashkent	UZBEKISTAN	Government
State Joint Stock Foreign Trade Company "Uzmarkazimpex," Tashkent	UZBEKISTAN	Government
Uzprommashimpeks, Tashkent	UZBEKISTAN	Government
Toyo Cotton (Japan) Co, Osaka 7/	JAPAN	Private
Compagnie Cotonnière Copaco, Paris 8/	FRANCE	Private
Weil Brothers Cotton, Montgomery 9/	USA	Private
Large Organizations (annual volume: 50,000 tons to 200,000 tons)		
Calcot Ltd, Bakersfield	USA	Cooperative
Dunavant S.A., Geneva	SWITZERLAND	Private
Albrecht, Müller-Pearse & Co Gmbh & Co, Bremen 10/	GERMANY	Private
Anderson Clayton Corp, Fresno 4/	USA	Private
C.A. Galiakotwala & Co Ltd, Mumbai	INDIA	Private
Cargill Cotton (a Division of Cargill Plc) 2/	UK	Private
Cukurova Cotton Cooperatives Association Cukobirlik, Adana	TURKEY	Cooperative

COTTON TRADING ORGANIZATIONS

(FIRMS ARRANGED BY SIZE, ESTIMATES MADE BY THE SECRETARIAT *)

Company Name	Country	Type
Large Organizations (annual volume: 50,000 tons to 200,000 tons) (continued)		
Ecom Agroindustrial Corp Ltd, Pully 6/	SWITZERLAND	Private
Gill & Co Ltd, Mumbai	INDIA	Private
Kotak & Co Pvt Ltd, Mumbai	INDIA	Private
Paul Reinhart AG, Winterthur 11/	SWITZERLAND	Private
The Cotton Corporation of India Ltd, Mumbai	INDIA	Government
Taris Pamuk Tarim Satis Koop.Birligi, Izmir	TURKEY	Private
Devcot SA, Lille	FRANCE	Private
Noble Resources Group, Singapore	SINGAPORE	Private
Agro Industrias Unidas de Mexico SA de Cv Amsa, Mexico City 6/	MEXICO	Private
Jess Smith & Sons Cotton, Llc, Bakersfield	USA	Private
Khimji Visram & Sons	INDIA	Private
Otto Stadtlander Gmbh, Bremen	GERMANY	Private
Toyoshima & Co Ltd, Nagoya 12/	JAPAN	Private
Plains Cotton Cooperative Association, Lubbock	USA	Cooperative
Cotton Marketing Organisation, Aleppo	SYRIA	Government
EISA – Empresa Ineragricola S.A, São Paulo 6/	BRAZIL	Private
Toyoshima USA, Inc, Cordova 12/	USA	Private
Cottip SA, Geneva	SWITZERLAND	Private
International Cotton and Textile Trading Co Ltd, Lugano	SWITZERLAND	Private
Mambo Commodities, Paris	FRANCE	Private
Namoi Cotton Cooperative Ltd, Wee Waa, NSW	AUSTRALIA	Cooperative
Texas Cotton Marketing Corp., Austin	USA	Private
Toyo Cotton Co, Dallas 7/	USA	Private
SA Goenka, Barcelona	SPAIN	Private
Allbright Cotton, Fresno	USA	Private
Société Cotonnière du Tchad Cotontchad, Chad	CHAD	Government
Violar SA, Larisa	GREECE	Private
Volcot America Inc, Phoenix	USA	Private
ACG Cotton Marketing, Lubbock	USA	Private
Arco Cotton Agents (I.C.T. International Cotton Trading), Milan	ITALY	Private
Baumann Hinde & Co Ltd, Southport	UK	Private
Dunavant Enterprises Pty Ltd, Moree NSW 3/	AUSTRALIA	Private
Eastern Trading Co, Inc, Greenville	USA	Private
Gap Pazarlama A.S., Istanbul	TURKEY	Private
J.G. Boswell Company, Pasadena 13/	USA	Private
Montgomery Co, Inc, Lubbock	USA	Private
Yamachu Mengyo Co Ltd Osaka, Osaka	JAPAN	Private
Medium-Sized Organizations (annual volume: 20,000 to 50,000 tons)		
Battistel Amiotti Srl, Milan	ITALY	Private
Etem Ozsoy Tarim Ticaret Ve Sanayi As, Izmir	TURKEY	Private
Indutech Spa, Milano	ITALY	Private
Loeb & Company, Inc, Montgomery	USA	Private
The Cotton Company of Zimbabwe Ltd, Harare	ZIMBABWE	Private
Cottagon Italia Srl (Paul Reinhart), Milan 11/	ITALY	Private
Daewoo Corporation, Seoul	R. of KOREA	Private
Ecom Commodities Pty Ltd, NSW 6/	AUSTRALIA	Private
Glencore International Ag, Baar	SWITZERLAND	Private
Rhein-Schelde Handelgesellschaft Fp Mostert Kg, Neuss	GERMANY	Private
Sekhsaria Exports, Mumbai	INDIA	Private
Société d'Importation et de Commission, Le Havre	FRANCE	Private
Jaume Artigas, Barcelona	SPAIN	Private
Pamteks A.S., Adana	TURKEY	Private
The Sudan Cotton Company Ltd, Khartoum	SUDAN	Government
Cargill Tanzania Limited, Dar es Salaam 2/	TANZANIA	Private
Central Cotton Company Limited, Liverpool 5/	UK	Private
FCA Comexim Ltd, Moscow	RUSSIA	Private
Power International, Moscow	RUSSIA	Private
TCT United SA	URUGUAY	Private
ACM, Inc, Collierville	USA	Private
Auscott Ltd, Sydney NSW 13/	AUSTRALIA	Private
Cargill Zimbabwe Pvt Ltd, Harare 2/	ZIMBABWE	Private
Compagnie Ivoirienne pour le Développement des Textiles CIDT	COTE D'IVOIRE	Government
First American Cotton Co, Lubbock	USA	Private
Knowles-Taylor Cotton Co Inc, Matador	USA	Private
Lyons Cotton, Inc, Memphis	USA	Private
Santista Textil SA, Sao Paulo	BRAZIL	Private
Société Nationale pour la Promotion Agricole Sonapra, Cotonou	BENIN	Private
Taevertex, Ghent	BELGIUM	Private
Volcot Switzerland Ltd, Winterthur	SWITZERLAND	Private

COTTON TRADING ORGANIZATIONS

(FIRMS ARRANGED BY SIZE, ESTIMATES MADE BY THE SECRETARIAT *)

Company Name	Country	Type
Medium-Sized Organizations (annual volume: 20,000 to 50,000 tons) (continued)		
Francis & Company, Inc, Memphis	USA	Private
Friedrich W. Kaemena & Co Gmbh, Bremen 10/	GERMANY	Private
Modern Nile Cotton Co, Alexandria	EGYPT	Private
Bangladesh Textile Mills Corporation, Dhaka	BANGLADESH	Government
Compagnie Cotonnière du Bénin, Cotonou 8/	BENIN	Government
Cotton Distributors Inc, Lausanne	SWITZERLAND	Private
Industrie Cotonnière Béninoise, Cotonou	BENIN	Government
Label Coton, Cotonou	BENIN	Private
Newcot Ltd, Chene-Bougeries	SWITZERLAND	Private
Quetta Corporation Ltd, Moscow	RUSSIA	Private
Ritis International, Cotonou	BENIN	Private
Société Béninoise de Représentation Sobere, Cotonou	BENIN	Government
Sumitomo Corporation, Osaka	JAPAN	Private
The Cotton Production & Marketing Board Ltd, Herzlia	ISRAEL	Cooperative

* A full list, including specialized firms and contact information, is available from the Secretariat of the ICAC

1/ Allenberg Cotton is affiliated with Louis Dreyfus.
2/ Cargill Cotton, Cordova is affiliated with Cargill Cotton, Liverpool, Cargill Tanzania and Cargill Zimbabwe.
3/ Dunavant Enterprises, Mempis is affiliated with Dunavant Enterprises, Australia and Dunavant S.A. Geneva.
4/ Anderson Clayton Corp., Fresno and Queensland, Australia are affiliated with Olam, Singapore.
5/ Plexus Cotton Ltd, is affiliated with Central Cotton Company Limited, Liverpool.
6/ Ecom USA Inc, Dallas is affiliated with Ecom Agroindustrial Corp Ltd., Switzerland, Ecom Commodities Pty Ltd., Australia, EISA, Brazil and Agroindustrias Unidas de Mexico.
7/ Toyo Cotton (Japan) Co, Osaka is affiliated with Toyo Cotton Co., Dallas.
8/ Compagnie Cotonnière Copaco, Paris is affiliated with Compagnie Cotonnière du Bénin, Cotonou.
9/Weil Brothers Cotton, Montgomery is affiliated with Weil Brothers & Stern, Liverpool.
10/ Albrecht, Müller-Pearse & Co Gmbh & Co, Bremen is affiliated with Friedrich W. Kaemena & Co Gmbh, Bremen.
11/ Paul Reinhart AG, Winterthur is affiliated with Cottagon Italia Srl.
12/ Toyoshima & Co Ltd, Nagoya is affiliated with Toyoshima USA, Inc, Cordova.
13/ J.G. Boswell Company, Pasadena is affiliated with Auscot, Australia.

COTTON TRANSPORTATION COST IN CHINA (MAINLAND)

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Abstract

The objective of this study was to investigate cotton transportation cost in China (Mainland). Using field survey data collected in the fall of 2008, we provide detailed information of the transportation cost for cotton from fields and ports to textile mills. Results indicate that policy reform has created a more market-oriented transportation cost structure and increases in per unit cost have emerged. Additional research with an increased sample size would provide a more robust picture of the overall transportation system and future trends in the industry.

Introduction

The world cotton industry is greatly influenced by China (Mainland)'s cotton market. China is the world's largest cotton producer and consumer. In 2007/08, China's total cotton production was estimated at 8.1 million tons, more than 30% of the world total, and total consumption was estimated at 10.9 million tons, 41% of the world total. As the largest cotton importer, China imported 20% to 40% of the world total in recent years. Hence, a comprehensive understanding of China's cotton competitiveness has important implications for the world's cotton market, especially for exporters.

However, this comprehensive understanding is incomplete due to the absence of a detailed understanding of transportation costs. On the one hand, cotton production costs have been well documented (National Product Cost Survey, 2008). Paggi et al (2007) compared cultivating costs between China and the United States and showed that competitiveness of China in cotton production cost comes mainly from the low labor cost. In addition, Qiao and Paggi (2008) conducted field surveys that allow for a comparison of ginning costs in China and United States. However, these reports did not provide information on transportation costs. The International