

LOGISTICS, MARKETING AND QUALITY ISSUES EFFECTING THE COMPETITIVENESS OF COTTON

In this presentation, we will not discuss about the competitiveness of cotton against other fibers as it is not our main topic. Our main topic for 100 % cotton fiber would be :

- Logistics
- Marketing
- Quality issues

These three items are effecting the competitiveness of cotton and each will be analysed seperately to understand the inside stories properly.

I – Logistics

It is an important item but is not the main item as it will most probably effect only the cost of delivery to the buyer. This item is turning around maximum 6 cents/kg in Turkey. There are different sale conditions in Turkey such as free on truck (FOT) and mill delivery. Distance will make between 1-6 cents/kg difference to buyer. For example trucking freight from Diyarbakir to Corlu area is almost 6 cent/kg while it is only 1 cent/kg from Hatay to Kahramanmaras. On the other side, spinners located in Corlu preferring Greek cotton will have the advantage of proximity with a freight rate around 3 cents/kg while delivery to the mills located in Kahramanmaras would rise to 8-9 cents/kg when it comes to Greek cotton. Another example may be the Syrian cotton which is much cheaper for the mills in south Turkey than the mills located at Istanbul area. Also CIS cotton would be 4-5 cents/kg cheaper when it's shipped by truck instead of vessel. So, it can easily be argued that locations directly effect the logistics. Occasionally, we encounter 4-5 cents/kg price differences in the quotations of US shippers for the same quality. When this is inquired, it turns out that cotton located in the warehouses near the east coast are quoted much cheaper than the cotton located in mid Texas. So, we should easliy say that prices are effected by logistics conditions.

Another point which is important for the neighbourhood countries is the preference of shipment with truck or vessel. This is an important issue for the shipments to Turkey from countries such as Greece, Syria and CIS countries which are Turkmenistan, Uzbekistan, Kazakistan, Kyrgystan and Tajikistan. Traders sometimes prefer to ship by vessel if trucking rates move up significantly. However, most of the time, trucking would be much cheaper for all parties as it would allow shippers to save FOB expenses while buyers enjoy avoiding the transportation cost from import port to the mill and the customs clearance fee which is much cheaper than that is paid at the

import port. For buyers, importing through port is three times higher than trucking in terms of logistics costs.

II – Marketing

Nowadays this word has become synonym with magic and a lot of tricks are available on the trade floor such as:

- Free from contamination
- Organic cotton
- Fair Trade
- Cotton Made in Africa
- Better Cotton Initiative, etc...

A lot can be said on each item. People are effected heavily by fashion and retailers are pushing too much to create demand for their own label. Therefore it can be better to mention under the “quality issues” but it should be mentioned that people are generally sensitive on these issues.

- 1- Free from Contamination : This is normally impossible and it has been witnessed a few times that even US and Israel cotton could be heavily contaminated. Of course, the more the processes are mechanized, the less the risk but no one should talk about cotton 100 % free from contamination.
- 2- Organic cotton : What level or organic? How these certifying companies could be 100 % sure that it is organic? I should say I wonder. On the other hand, when we think about the textile processes such as spinning, weaving, knitting, mercerisizing and dyeing, some chemicals could be inevitably used which in fact makes the final product non-organic. Some textiles which are produced by hand-spinning and hand-knitting can be treated exceptionally.
Another aspect of the issue is that conventional cotton production is 50 % cheaper than organic and it also needs, less land, less water and less work. In terms of sustainable production, organic production is a big handicap. Bremen Cotton Exchange Lab results show that cotton that contains no pesticide could easily be tested as organic. So it is difficult to understand why people insist on this label. Also it should be noted that organic content is between 5 % -10 % which should arouse the question “What is the real effect for the final customer?”. Someone argue that this is a different point of view as final consumers would feel themselves contributing to the environmental protection efforts such as being a member of Greenpeace.
- 3- Fair Trade : This is another story which stimulates similar feelings of consumers such as helping poor producers.

- 4- Made in Africa : It's another way of guiding the feelings of consumers. The only difference is that no premium is paid.
- 5- Better Cotton Initiative is a mixture of all above. It would be useless to add more.

It should also be mentioned that USA spends big efforts by CCI to increase the share of cotton amongst other fibers. But of course they do not forget to mention US Cotton which in turn makes this promotion help to the marketing of US Cotton.

III – Quality Issues :

I had attended to the 4th Cotton Research Conference in Lubbock this year. There were many titles presented by different speakers. I have witnessed a lot of developments about plant breeding and genetics, transgenic bt cotton, plant pathology and disease management. I had also personally paid attention to fiber quality evaluation, harvesting and ginning. I can say one clear reality that certain areas are granted special values by God such as the SJV Valley in USA, the Nile Delta in Egypt, Diyarbakir/Bergama riverside in Turkey and Xingang in China. However, quality is subject to picking and ginning methods. If fiber is hurt while picking and ginning, quality is negatively effected by increased neps, shorter staple and higher short fiber content. Spinning and weaving technologies of textile industry advance very rapidly but ginning technology has recorded no significant improvement. Of course high speed spinning technology need more stronger staple, narrower micronaire range and minimum neps content. The first two factors are directly related with seed variety and climate conditions. Especially neps and also staple length is effected by picking and ginning methods. Due to contamination, discounted cotton reality is not a tragedy anymore as less damaged cotton has proved to be one of the main interests of ring spun yarn producers

I can say that Egypt pays the best attention to these factors. Ginning is done very slowly and in a gentle way so that staple has the least damage. On the other hand , in USA staple is badly damaged by the fastest picking and ginning technologies. However, in promotion of USA cotton, this issue is never mentioned.

Consumers normally prefer cotton but low-income consumers may choose blended products for their durability and easy care. We should mention that there is tough competition of polyester fiber and today cotton's share of total world fiber use is not more than 40 %. We know that only CCI is working hard to create demand. My advice would be the extention of these efforts to all countires by sharing the experiences of CCI. We should concentrate on 100 % conventional cotton. Otherwise, we may end up with the risk that cotton could lose it naturalness and could be perceived as a special fiber by the consumers such as polyester if we continue to deal with speacial cotton creating ideas.

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LOGISTICS

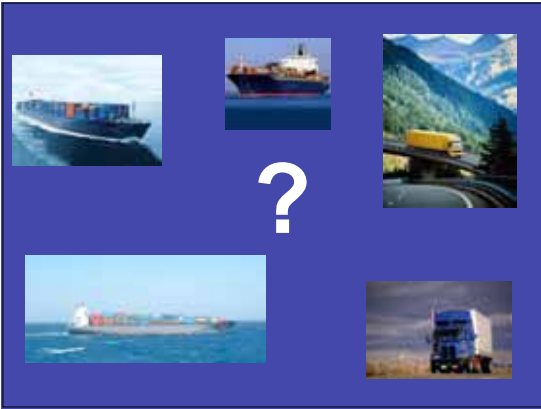


6 CENTS/KG



1 CENT/KG





Allows shippers to save FOB expenses 

Buyers avoid transportation cost from import port to the mill

Customs clearance fee much cheaper for buyers 

Importing through port is three times higher than trucking

MARKETING

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Free from contamination

Normally impossible

Even US and Israel cotton could be heavily contaminated

No one should talk about cotton 100 % free from contamination.

Organic cotton

Some chemicals could be inevitably used during textile processes such as spinning, weaving, knitting, mercerizing and dyeing

Bremen Cotton Exchange Lab results show that cotton that contains no pesticide could easily be tested as organic.

Conventional cotton production is 50 % cheaper than organic and it also needs, less land, less water and less work. In terms of sustainable production, organic production is a big handicap.

Organic cotton

Final consumers would feel themselves contributing to the environmental protection efforts such as being a member of Greenpeace.

Fair Trade

Stimulates similar feelings of consumers such as helping poor producers.

Cotton Made in Africa

Another way of guiding the feelings of consumers. The only difference is that no premium is paid.

Better Cotton Initiative

Mixture of all above

USA spends big efforts by CCI to increase the share of cotton amongst other fibers. But of course they do not forget to mention US Cotton which in turn makes this promotion help to the marketing of US Cotton.



QUALTY ISSUES

Developments about plant breeding and genetics, transgenic bt cotton, plant pathology and disease management.

Fiber quality evaluation, harvesting and ginning

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Quality is subject to picking and ginning methods.

If fiber is hurt while picking and ginning, quality is negatively effected by increased neps, shorter staple and higher short fiber content.

High speed spinning technology need more stronged staple, narrower micronaire range and minimum neps content.

The first two factors are directly related with seed variety and climate conditions.

Especially neps and also staple length is effected by picking and ginning methods.

Due to contamination, discounted cotton reality is not a tragedy anymore as less damaged cotton has proved to be one of the main interests of ring spun yarn producers

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There is tough competition of polyester fiber and today cotton's share of total world fiber use is not more than 40 %.

Only CCI is working hard to create demand.

Extention of these efforts to all countires by sharing the experiences of CCI.

We should concentrate on 100 % conventional cotton. Otherwise, we may end up with the risk that cotton could lose it naturalness and could be perceived as a special fiber by the consumers such as polyester if we continue to deal with speacial cotton creating ideas.