



Cotton's Share of World Textile Fiber Use to Decline in 2008 and 2009¹

Alejandro Plastina, ICAC

World textile fiber consumption more than tripled over the last 5 decades. However, while cotton consumption increased one-and-a-half times during that period to reach 26.4 million tons in 2007, other fibers (wool, chemical and non-chemical synthetic fibers) increased eight times to reach 45.7 million tons. Consequently, the market share of cotton decreased from an average of 62.4% in the 1960s to 39.8% in the 2000s.

Over the last three decades, the market share of cotton at retail only increased in advanced economies, and declined in developing economies and Central and Eastern Europe and the former USSR.

Several factors influenced the evolution of textile consumption, including promotional efforts, fashion trends, textile production technology, logistic factors, trade agreements and trade barriers, population count, disposable income, prices and availability of textile fibers.

The ICAC Textile Price Model explains and forecasts the evolution of textile consumption based on GDP growth, population, prices of cotton and other fibers, and inflation. Simply put, textile consumption tends to increase when income per capita increases, and when the relative price of textiles to other goods declines. However, the demand for cotton and other textile fibers tend to react differently to changes in those two variables.

The end-use demand for cotton and other fibers is more sensitive to changes in income per capita than to changes in prices. A 5% decline in the relative price of cotton to other fibers would be required to induce the same increase in cotton consumption as that induced by a 1% increase in world GDP per capita. The demand for other fibers is highly sensitive to changes in GDP per capita (about 10 times more sensitive than the demand for cotton), but it is almost insensitive to changes in relative prices.

Two regularities emerge from the statistical analysis: (1) a given increase in GDP per capita induces, on average, a greater increase in the demand for non-cotton fibers

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than in the demand for cotton, and consequently a decline in the market share of cotton; (2) a given decline in the relative price of cotton to other fibers induces a much smaller proportional increase in the demand for cotton, an even smaller proportional decline in the demand for other fibers, and a relatively small increase in the market share of cotton.

Without promotional efforts to counteract these market forces, only a significant decrease in the price of cotton relative to non-cotton fibers in a scenario of world economic stagnation, or a decline in world GDP per capita (particularly in developing countries) could reverse the declining trend of the market share of cotton.

Based on the latest economic projections by the IMF, the ICAC Textile Model forecasts that end-use consumption of cotton will decline by 1.8% in 2008 and 2% in 2009, falling to 25.4 million tons in 2009. Consumption of other fibers is expected to continue growing in 2008 and 2009, but at lower rates than in recent years (4% in 2008 and 1.2% in 2009, compared to an average of 6% over the previous six years) to reach 44.4 million tons by 2009. As a result, total textile consumption would increase by 1.7% in 2008 but remain stable in 2009, and the market share of cotton would continue to decline, dropping to 36.4% in 2009. The market share of cotton would also continue to decline in developing economies and in Central and Eastern Europe and the former USSR, while it would continue to increase in advanced economies.

Longer-term projections suggest that cotton consumption will resume its long-term growth in 2010, and reach 31.2 million tons by 2020. However, since consumption of other fibers is projected to grow faster than cotton consumption, the market share of cotton is expected to decline to 31% by 2020.

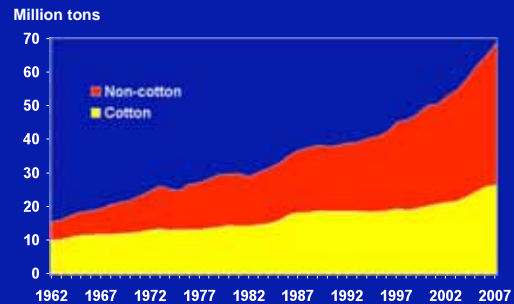
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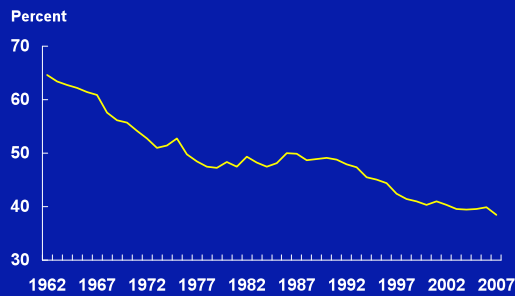
Alejandro Plastina, ICAC
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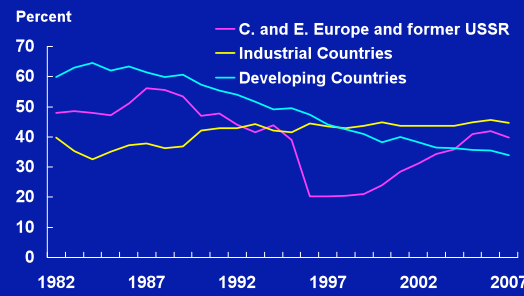
World Textile Fiber Use



World Market Share of Cotton at Retail



Regional Market Shares of Cotton at Retail



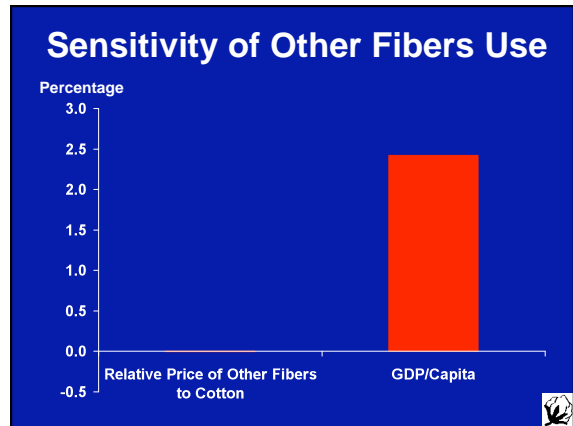
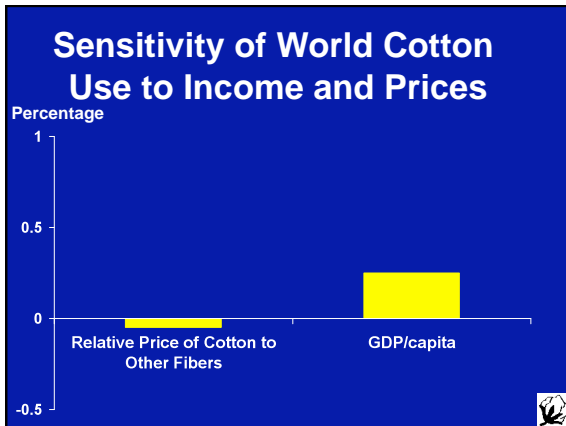
Factors Affecting Textile Consumption

- Income
- Population
- Real prices of cotton and other fibers
- Promotional efforts
- Fashion trends
- Textile Production Technology
- Logistics
- Trade barriers and agreements

ICAC Textile Model

Textile Consumption as a function of:

- GDP
- Population
- Prices of cotton and other fibers
- Inflation



ICAC Textile Model: Result 1

- ↑ GDP/capita:
 - ↑ Cotton Use < ↑ Use of Other fibers
 - ↓ Market Share of Cotton

ICAC Textile Model: Result 2

- ↓ Relative Price of Cotton to Other Fibers:
 - ↑ Cotton Use and ↓ Use of Other fibers
 - ↑ Market Share of Cotton

