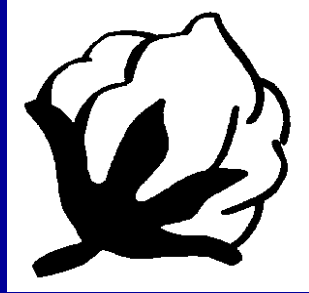


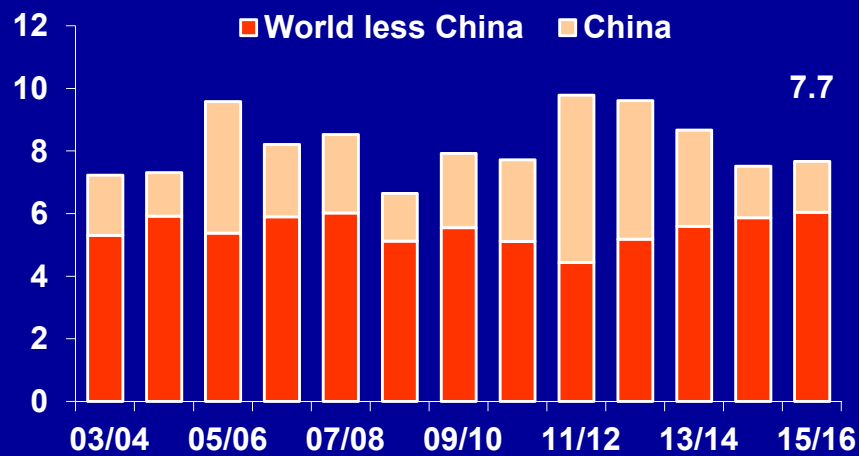
Major Developments in World Cotton Trade

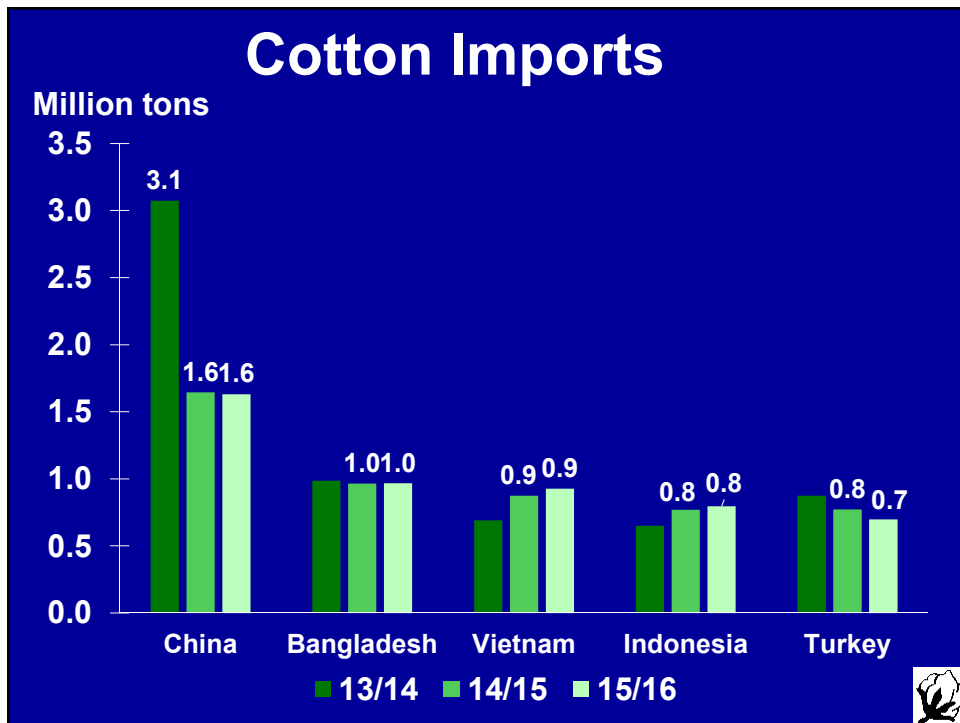
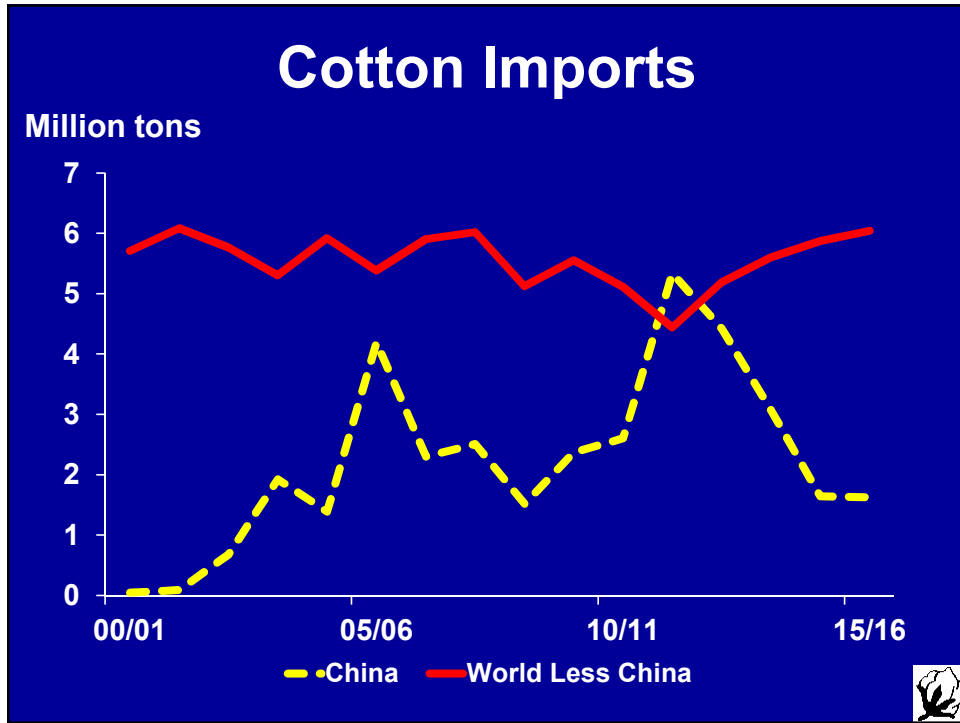


Research Associates Program
Washington, June 16, 2015

Cotton Imports

Million tons

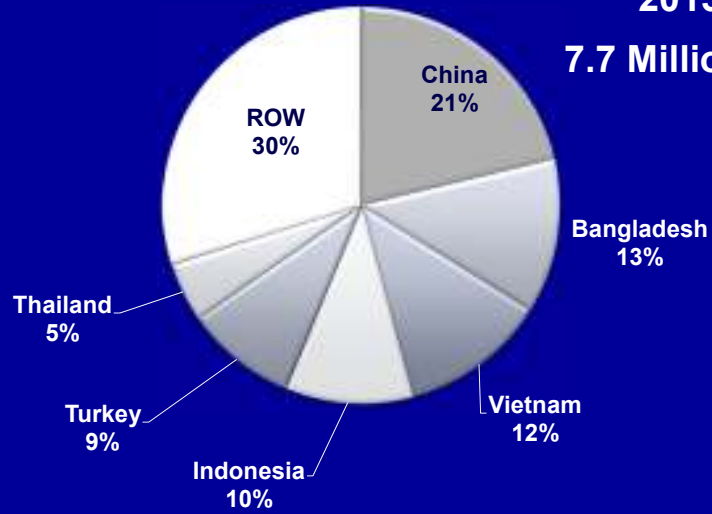




Cotton Imports by Country

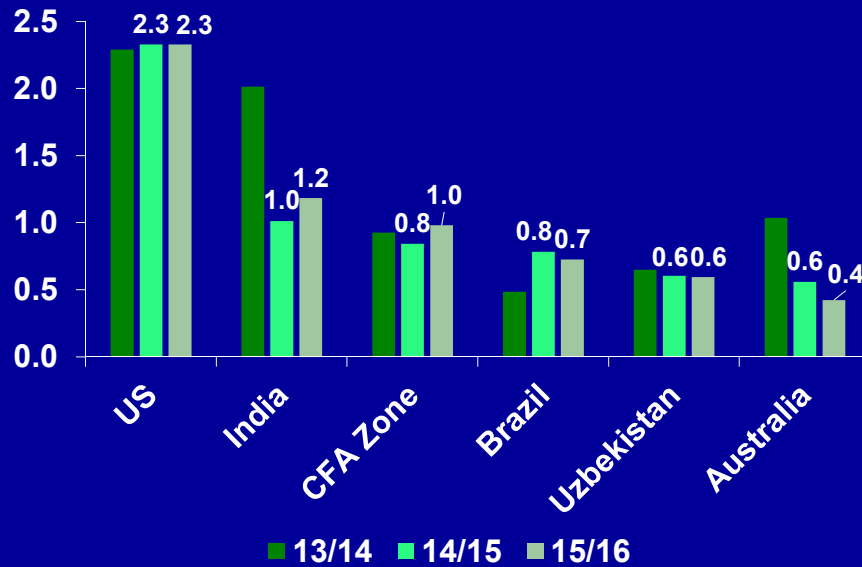
2015/16

7.7 Million tons

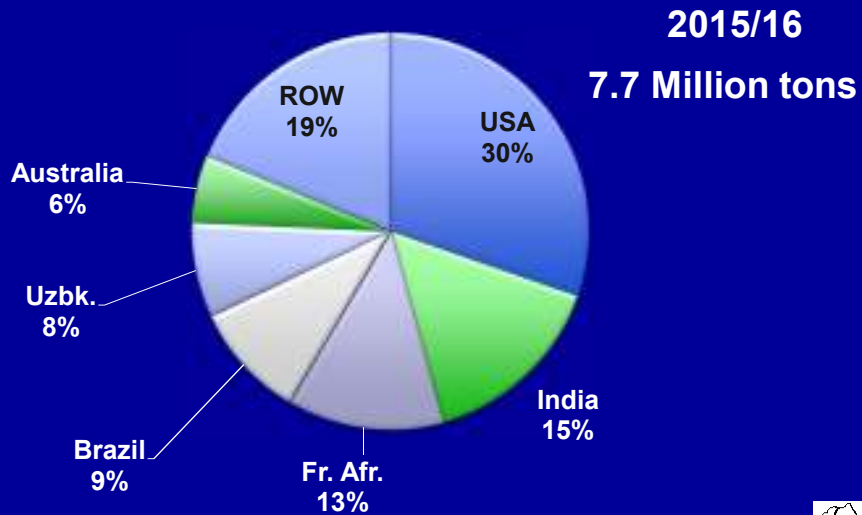


Cotton Exports


Million tons



Cotton Exports by Country

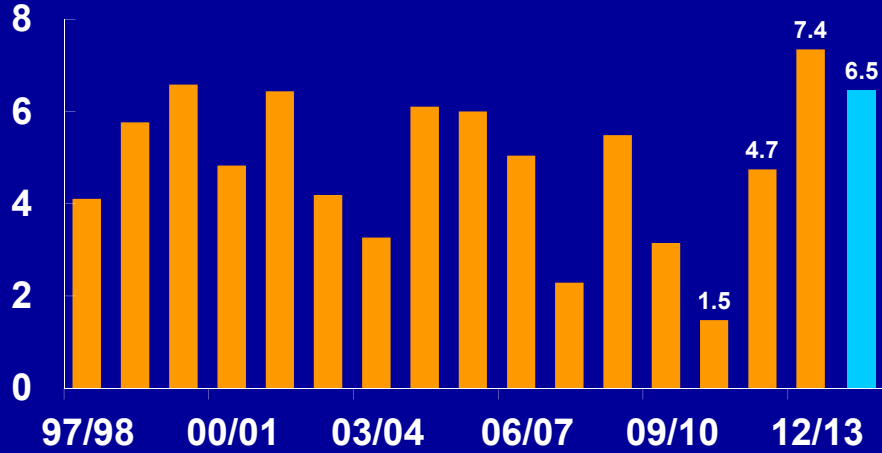


Direct Assistance to Cotton Production

- Direct support to production
 - Border protection
 - Crop insurance subsidies
 - Minimum support price mechanisms
 - Input subsidies
 - Transportation subsidies
- 

DIRECT ASSISTANCE TO COTTON

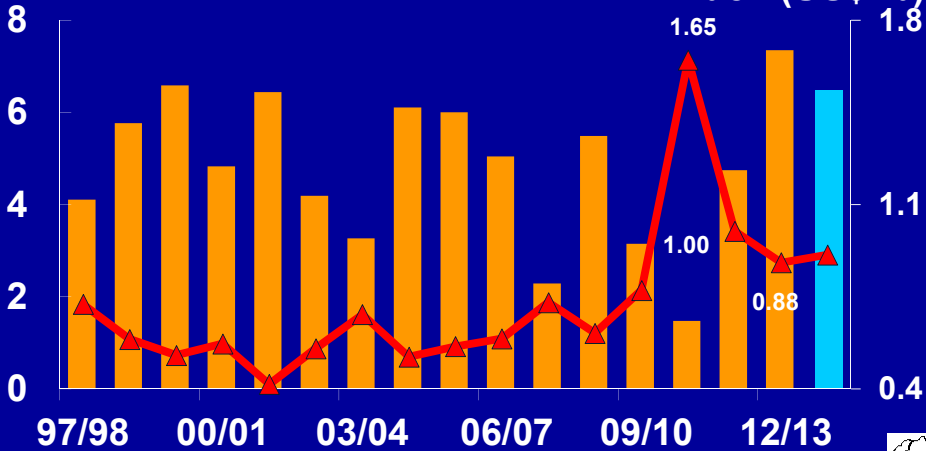
Billion US\$



DIRECT ASSISTANCE TO COTTON AND PRICES

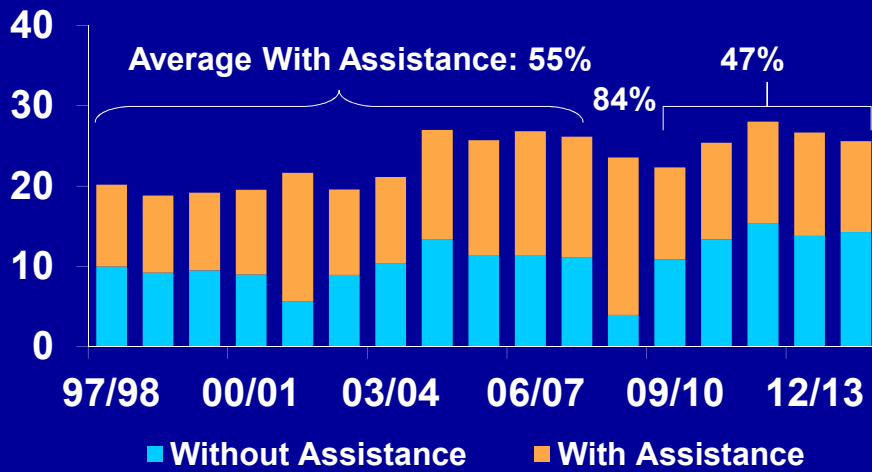
Billion US\$

A Index (US\$/lb)



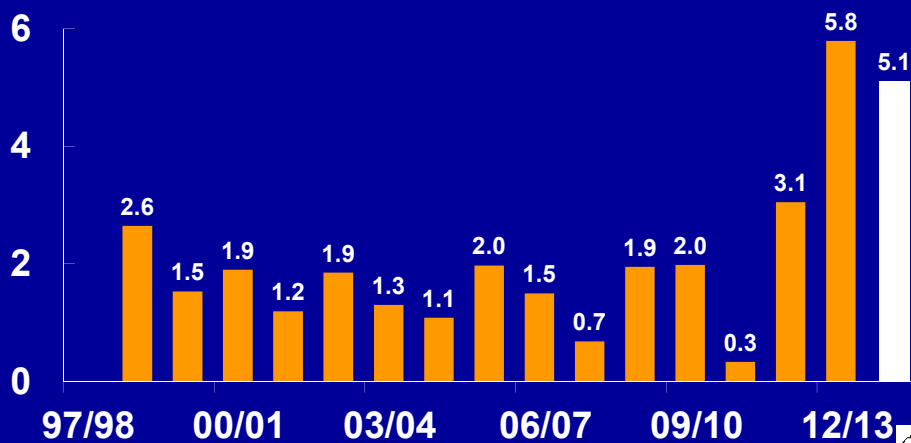
WORLD PRODUCTION UNDER DIRECT ASSISTANCE

Million Tons

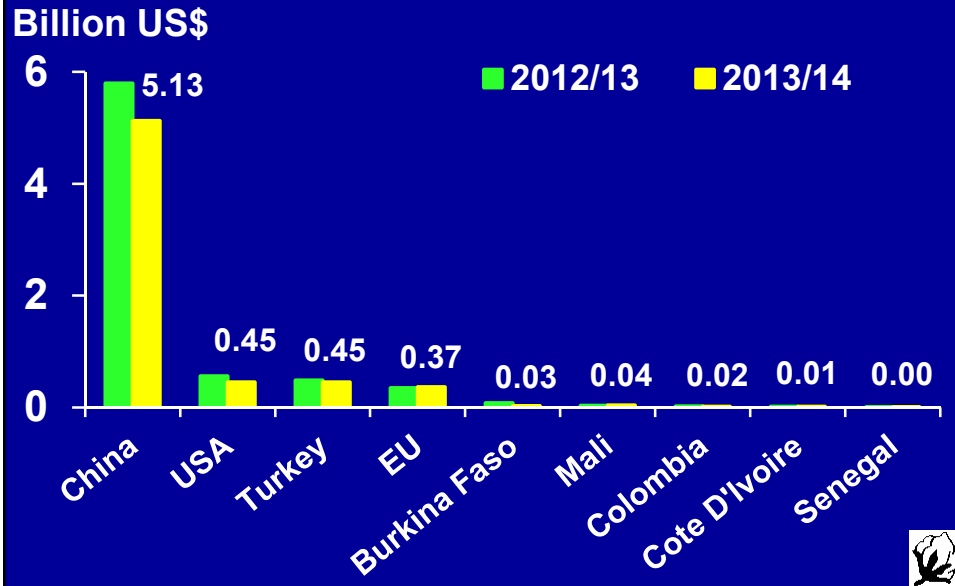


CHINA: DIRECT ASSISTANCE

Billion US\$



DIRECT ASSISTANCE TO COTTON



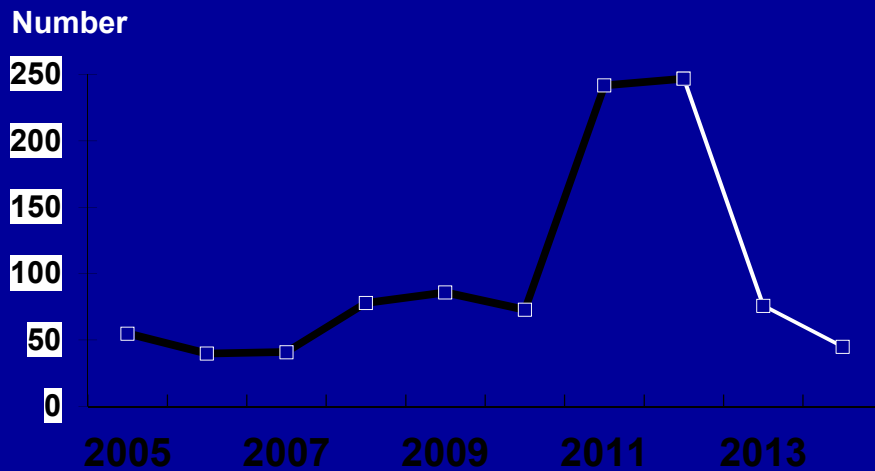
Trade Facilitation Measures

- Enforcement of Arbitral Awards
- Harmonization of Trading Rules
- Phytosanitary Certificates, Model FAO
- Electronic Documents
- World Bale Numbering System
- Standardized Instrument Testing System
- Elimination of Government Interventions
- Improved Market access

Price Volatility by Season: Daily Cotlook A Index



ARBITRATION CASES AT ICA



2014 Farm Bill

- Eliminated Direct Payments based on Area
- Eliminated Countercyclical Payments based on Target Prices
- Kept Marketing Loan
- Added Revenue Insurance (Price x Yield)

2014 Farm Bill

For Cotton:

- STAX: Stacked Income Protection Plan

Short-term revenue insurance

(yield x price)

2014 Farm Bill

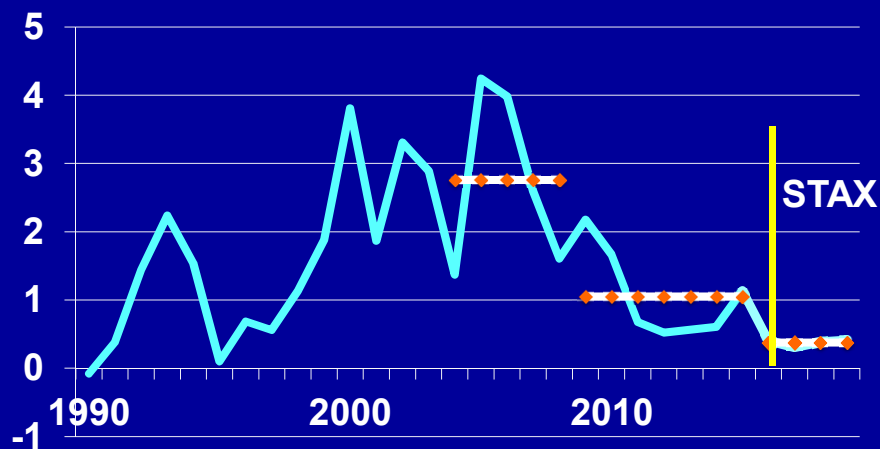
For Cotton:

STAX:

- Yields based on county-wide averages
- Prices based on ICE futures
- Farmers pay 20% of insurance premiums
- **Within Season Insurance Coverage Only!**
 - (Price declines from one season to the next are not covered)

U.S. Government Expenditures on Cotton

US\$ Billion



U.S. – Brazil WTO Cotton Dispute

- Agreement Signed on Oct. 1, 2014 to End the Dispute
- The Cotton Case is Terminated
- No New WTO Actions by Brazil Against USA
- U.S. Will Make One-Time Payment of \$300 Million

Outlook for Merchants

- Fewer and bigger (↑ concentration)
- More multi-commodity merchants
- Fewer cotton-only merchants



Increasing Capital Requirements

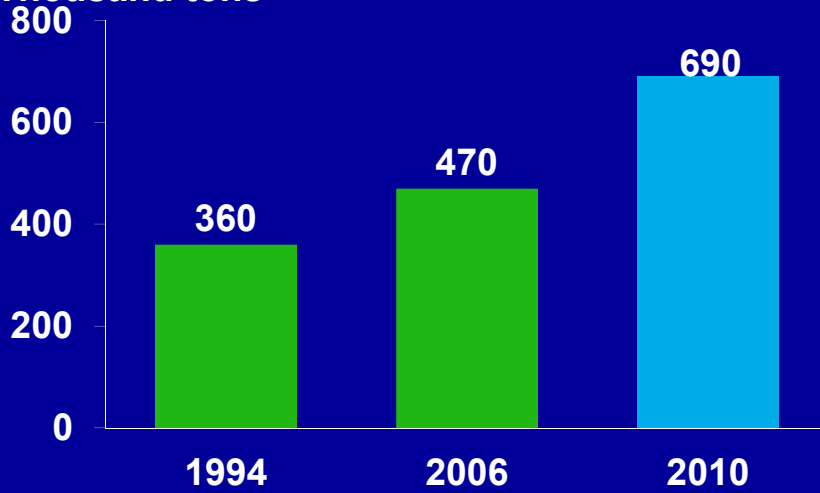
2007: \$6 loan per \$1 equity

2010 & 2012: \$3 loan per \$1 equity



Bigger merchants command bigger sales

Average Sales Volume,
Thousand tons



Net Cost of Cotton Production

U.S. \$/Kg of Lint

