

## **TRENDS IN DER BEDINGUNG DES WELTWEITEN BAUMWOLLMARKTS**

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**Anmerkung.** Dieser Artikel widmet sich der Analyse von Veränderungen und Trends in den Hauptfaktoren des Weltbaumwollmarktes sowie des Baumwollhandels. Die Rolle der weltweit führenden Länder bei der Produktion, dem Verbrauch, dem Export und dem Import von Baumwollfasern wird gezeigt. Produktion, Verbrauch und Export von Baumwollfasern in Usbekistan werden mit ähnlichen Indikatoren des Weltbaumwollmarktes verglichen. Die Bedeutung des Eintritts in den Weltmarkt mit veredelten Baumwollfaserprodukten für unser Land ist belegt.

**Schlüsselwörter:** Weltbaumwollmarkt, Marktbedingungen, Rohbaumwolle, Baumwollfaser, Baumwollproduktion, Baumwollverbrauch, International Cotton Advisory Committee (ICAC), Baumwollfläche, Baumwollertrag, Baumwollexport, Baumwollimport.

## **TRENDS IN THE WORLD COTTON MARKET CONDITION**

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**Abstract.** This article is devoted to the analysis of changes and trends in the main factors of the world cotton market, as well as the cotton trade. The role of the world's leading countries in the production, consumption, export and import of cotton

fiber is shown. Production, consumption and export of cotton fiber in Uzbekistan is compared with similar indicators of the world cotton market. The importance for our country of entering the world market with finished cotton fiber products has been substantiated.

**Keywords:** World cotton market, market conditions, raw cotton, cotton fiber, cotton production, cotton consumption, International Cotton Advisory Committee (ICAC), cotton area, cotton yield, cotton export, cotton import.

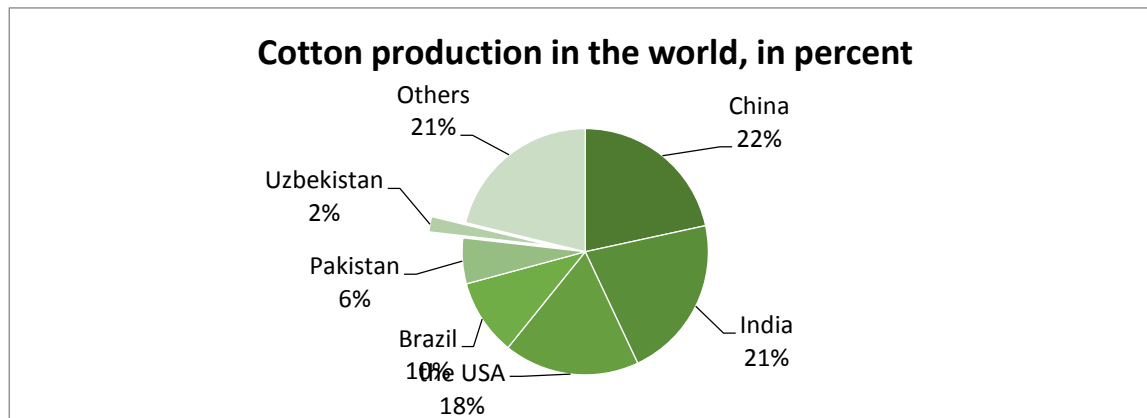
Cotton growing is one of the most important branches of the world economy. Indeed, the products of this industry ensures as a source of raw materials not only for the textile industry, but also for many other sectors of the economy. All industries consuming cotton raw materials are subject to changes depending on one or another condition of the world cotton economy. The key driver stimulating the development of the cotton industry is the demand of people and the economy for cotton products. The world cotton market condition reflects the balance of supply and demand for cotton. It is especially important for Uzbekistan to occupy a deserved position in the world cotton market.

As in all markets, the situation on the world cotton market largely depends on two factors, namely the supply and demand for cotton, that is, the world consumption of cotton and the volume of its production [1]. Cotton producers, as well as the countries consuming it, will keep track of changes in the global cotton market. The elements that control the market situation, that is, price and market conditions, are derivatives of the relationship of supply and demand to each other, combining different factors [2].

Nowadays, cotton is being grown in 70 countries around the world and processed into the cotton fiber in textile factories in more than a hundred countries. According to the statistics of the International Cotton Advisory Committee (ICAC), the number of importing countries of cotton fiber in the 2019/2020 season amounted

to 73 units. The following Figure 1 shows the share of the world's major cotton-growing countries in gross production [4].

*Figure 1*



Among the largest cotton-growing countries, the states include China – 21,6% (5,8 million tons), India – 21,4% (5,75 million tons), the USA – 17,8% (4,8 million tons), Brazil - 10% (2,7 million tons), Pakistan -6% (1,6 million tons), as well as Uzbekistan - 2% (0,6 million tons)[6].

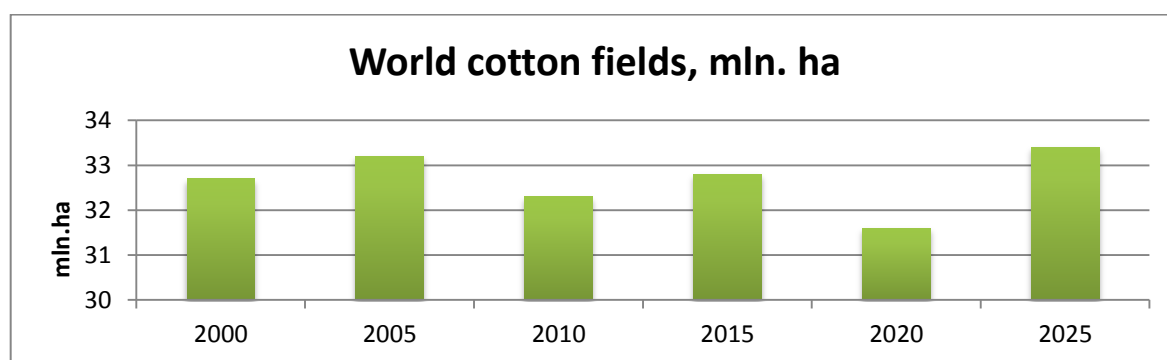
Over the last years, there has been a slight decrease in the volume of cotton grown in China, which is the leader among large cotton-producing countries. Particularly, due to the cancellation of government subsidies to cotton producers in the country and adverse weather conditions in Xinjiang province, cotton production decreased by 27,3 million units of cotton fiber [9]. Currently, cotton areas across China amount to 3,45 million hectares. On the contrary, the cotton yield in India increased by 14% in the season of 2019/2020 to 29,5 million units of cotton fiber. The increase here was mainly due to the reduction of cotton fields and an increase in productivity [10].

The factor has a direct impact on the global cotton market condition which is the consumption of cotton fiber. Actually, cotton production varies in proportion to its consumption. However, the coronavirus pandemic has also affected cotton consumption. Ultimately, due to the weakening of aggregate demand around the world, along with all industries, the textile industry has experienced a decline. Consequently, due to the decrease in cotton consumption, the average annual volume of cotton stocks has also increased. Cotton stocks in the world have almost doubled

over the past decade and amounted to 18.3 million tons in 2019. For instance, in China, which is considered the main consumer of cotton fiber, this indicator reached 8.5 million tons in the season of 2019/2020 (it consisted of 50% compared to consumption) [6].

Analysis of changes in the world's cotton areas shows that the fields do not have a stable tendency to expand or shrink. For 20 years, they have been expanding, then shrinking within the range of 31.6-33.2 million hectares. This fluctuation occurred every 5 years. The Figure 2 shows the changes in the world cotton fields in 2000-2020, as well as the forecast for 2025. Cotton fields, which have declined sharply due to the Covid pandemic, according to international experts, will expand rapidly by 2025 and it is expected that it will reach 33.4 million hectares. In the long term, fluctuations in cotton areas, mainly within this range, will continue change. [10].

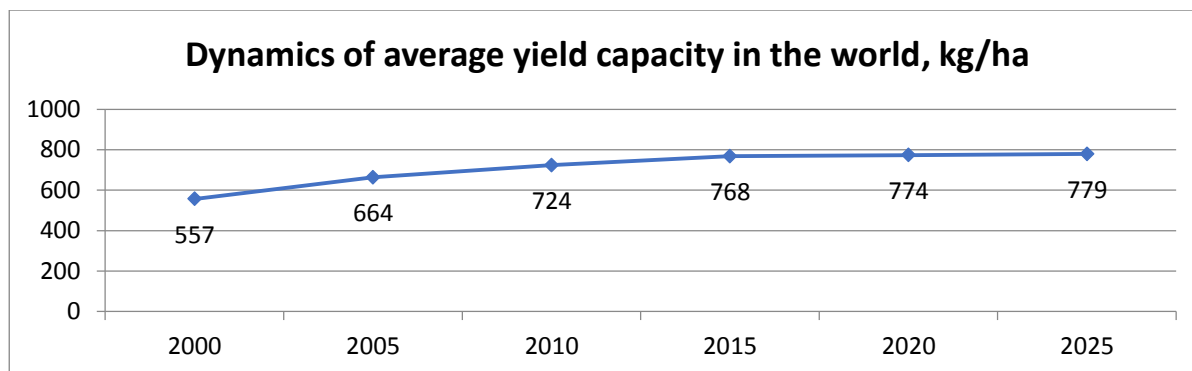
*Figure 2*



Yield capacity is the main factor in the development of cotton growing. The level of yield directly depends on the natural conditions of cotton-growing countries, the degree of modernization of the cotton industry and the introduction of technical and genetic innovations into production.

We observe that the yield of cotton in the world was relatively low (within the range of 550-600 kg/ha) in the 2000s of the XX century. However, in the following years it increased very quickly. In 2005, this indicator reached to 644 kg/ha, 724 kg/ha in 2010, 768 kg/ha in 2015 and 774 kg/ha by 2020. Next season, there are expectations that this indicator will reach the level of 779 kg/ha [10]. The Figure 3 illustrates the dynamics of the growth of the average cotton yield in the world [13].

*Figure 3*

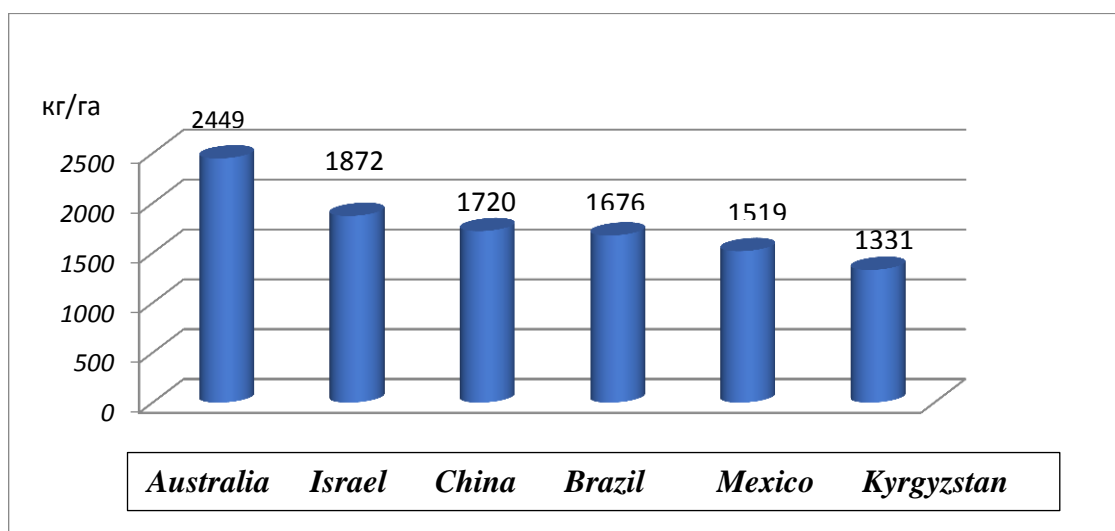


We carry on a comparative analysis of the indicators of six countries considered as the most advanced countries in terms of yield capacity in the world cotton growing in the season of 2019/2020 (Figure 4). Among them, Australia is the leading country in yield capacity. In Australia at the beginning of this century, the cotton yield was recorded at the level of 1522 kg/ha, by 2019 this indicator reached by 2449 kg/ha. In Israel, which placed second in the same periods, cotton yields, respectively, reached to 1,569 and 1,872 kg/ha, China took the third place - 1,026 and 1,720 kg/ha, fourth place - 468 and 1,676 kg/ha in Brazil, fifth place - 916 and 1,519 kg/ha in Mexico, sixth place - 832 and 1,331 kg/ha in Kyrgyzstan. It is noteworthy that Australia has reached an extreme level in the yield of raw cotton, having collected 2,449 kg of cotton fiber per hectare, which means that it has reached a record in the world. Kyrgyzstan's position in the top six is also worthy of praise. As a matter of fact, this country lagged far behind Uzbekistan in the early 90s, that is, at a time when 877 kg of cotton fiber was gathered from hectares of land, while 731 kg were collected in Kyrgyzstan. 30 years later, the yield capacity in Kyrgyzstan has almost doubled. However, despite the fact that priority attention is regularly paid to this industry in Uzbekistan, the yield has decreased by 151 kg or 17.2% compared to the same period last year and today it stands at 726 kg/ha, taking 20th place in the world ranking. Definitely, this issue is considered to be a separate topic that should be comprehensively studied and analyzed.

One more remarkable fact can be cited due to cotton yield, although the USA, India and Pakistan are considered the leading countries in cotton production, they occupy much lower positions in terms of yield capacity. Specifically, the USA (916 kg/ha) is on 17th place, Pakistan (575 kg/ha) is on 31st place, as well as India (494 kg/ha) takes 37th place. In 2000, the yield capacity in these countries were 692 kg, 589 kg and 304 kg/ha, respectively [8].

*Figure 4*

**The most advanced countries in the world in terms of cotton yield (season for 2019/2000)**



Cotton yields all over the world have a general upward trend, although over the past thirty years, that is, from 1990 to the present days, there have been certain fluctuations in average growth rates. If this indicator was 576 kg/ha in the early 90s, nowadays it has reached the level of 774 kg/ha. This means that over the past period, the yield of cotton in the world has increased by an average of 6.8 kg/ha or 1.2% per year [7]. The trend of regular growth of cotton yields in the world corresponds to the current condition of the world cotton market.

In considering the international cotton trade, two aspects must be taken into consideration. Firstly, cotton, as an agricultural product, will depend on environmental conditions, and secondly, it will be considered an exchange commodity, which is directly affected by market changes in the world. Prices on the

world cotton market are closely related to changes in the volume of exports and imports of cotton [2].

China is the most advanced country among cotton exporters. 26 percent (14.1 billion US dollars) of total exports worldwide is accounted for this country. The USA takes the second place - 1.4% (\$7.9 billion), India is on the third place – 11% (\$6 billion), Pakistan is on the fourth place -5.9% (\$3.2 billion), Vietnam is on the fifth place - 5.6% (\$3 billion), Brazil is on the sixth place - 5.1% (\$2.8 billion) [11]. Analyses demonstrates that the lower the level of economic development of a country, the higher the share of raw materials in the export of cotton products of this country. However, only those countries that have been able to use the revenues from cotton fiber exports to restructure the national economy and modernize the industry can achieve positive changes in the export structure.

The geography of cotton imports is less concentrated due to world cotton exports, it means, it occupies a wider place than the world map. It is absolutely correct. Cotton growing depends on environmental conditions, with the exception of the textile industry, and can be implemented in any country.

East Asian countries and China are the leaders of the world's cotton imports. To a great extent, this is positively influenced by the economic policy pursued in the region in terms of textile industry [2].

China is also a leader among cotton importers. According to 2019 data, China accounts for 23 percent of global imports. The next places are occupied by Bangladesh - 17.4%, Vietnam - 17.3%, Indonesia - 8.3%, Turkey - 6.7% and India - 3.9%. According to international organizations, by 2027, Bangladesh and Vietnam will be the leaders in cotton production and will increase their imports to 41% and 69%, respectively. It means more than 40 percent of the world's imports.

Nowadays, the price of cotton fiber is steadily increasing. The highest price for the last 5 years, i.e. \$ 2.01/kg, was observed in 2018. While by 2019, it dropped sharply to the level of \$ 1.7 /kg. However, calculations show that in 2025 the price of cotton fiber will be \$1.96 /kg, as well as in 2030 it will reach the level of \$ 2.2 /kg.

Over the past decade, the export of cotton fiber in Uzbekistan has been rapidly declining. It should be noted that that this reduction was mainly due to an increase in domestic consumption and a reduction in cotton fields [5]. In the first years of independence, domestic consumption was only 14%, by now it has reached by 60%. Moreover, over the past period, the share of cotton exports in total exports has also steadily declined and decreased by 2% [3]. It is expected to decrease further in the future.

### **Conclusion.**

The analysis based the following conclusions:

- Despite a slight decrease in global production and consumption of cotton fiber due to the Covid pandemic, the overall growth trend is ensured;
- The average cotton yield in the world consists of 6.8 kg/ha, or on average more than 1.2% per year;
- Although the yield of cotton has decreased slightly in some years, in the long term it continues to grow;
- The trend of regular growth of the cotton yield in the world corresponds to the current condition of the world cotton market;
- Prices for cotton fiber also continue to grow steadily until 2030, it will reach the level of \$ 2.2 /kg;
- The share of cotton fiber exports in Uzbekistan's total exports may decrease further in the near future, but it will gradually be replaced by semi-finished products and finished cotton products.

The deep processing of cotton fiber and export of finished products will provide the country with stable foreign exchange earnings.

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