



International Trade Centre

Product and market development



Cotton Exporter's Guide





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COT**INTERNATIONAL TRADE CENTRE UNCTAD/WTO****Cotton Exporter's Guide**

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Guide providing a comprehensive view of all aspects of the cotton value chain from a market perspective – provides an overview of the world cotton market (production, consumption and trade); outlines factors influencing supply and demand, and market trends; considers major issues of the sector, including trade policy and WTO issues; deals with textile processing of cotton, cotton quality and its determinants, and cotton contamination; covers various aspects of cotton trading and export marketing (packaging, controlling, back office and documentation, freight and shipping, financing, warehousing, insurance, risk management, contracts and arbitration); looks at e-commerce (Internet auction and electronic paperwork), the ICE Futures U.S. and other futures markets for cotton; reviews the market for different types of cotton, including organic cotton; presents market profiles of the main importing countries in Asia (Bangladesh, China, India, Indonesia, Pakistan, Thailand) and Turkey, with recommendations on how to approach their cotton-consuming textile industries; annexes contain a list of international cotton associations, as well as lists of useful addresses and web resources.

Descriptors: Cotton, Export Marketing, Electronic Commerce, Commodity Markets, Market Surveys, Textiles, Bangladesh, China, India, Indonesia, Pakistan, Thailand, Turkey.

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Foreword

There is no doubt that cotton has become a litmus test for the development dimension of WTO Doha Development Agenda (DDA), launched in 2001. It was in 2003 that the issue of cotton tariffs, domestic and export subsidies was brought to the fore by the Cotton-4 (Benin, Burkina Faso, Chad and Mali) with the support of the African Union, the least developed countries, and the African, Caribbean and Pacific countries.

In 2004, WTO Members agreed to establish a two-track process for the treatment of cotton: a trade track and a development track. The trade track, which forms part of the Doha Round, is aimed at negotiating the level of reduction of trade-distorting subsidies, export subsidies and tariffs on cotton. Agreement was reached to tackle cotton ambitiously, expeditiously, and specifically within the agriculture negotiations. The most notable progress made on this particular track since the launch of the negotiations took place at the Hong Kong Ministerial Conference in December 2005, where WTO Members agreed on the complete elimination of export subsidies for cotton, and on the granting of duty-free quota-free (DFQF) access for cotton to all exports from least developed countries. The development track is aimed at better targeting development assistance to cotton producing developing countries, and in particular the poorest among them. In March 2007, I convened a High-Level Session on Cotton to take stock of all action taken so far along both tracks. A conclusion unanimously reached by WTO Members at the High-Level Session was that there would be no outcome to the Doha Round without an outcome on cotton.

Since 2004, the International Trade Centre (ITC) has made a valuable contribution on the development aspects of cotton, notably by putting forward the idea of a *Cotton Exporter's Guide*. This guide is intended to serve as a reference on the global cotton market for the business community, at every level of the cotton value chain. It identifies niche areas, such as the demand for organic and other cotton varieties, and sets out in simple terms the market requirements for cotton exporters. In so doing, it draws attention to new export opportunities in many dynamic cotton markets, in particular in Asia. I believe that this is extremely valuable. The information contained in the guide will, no doubt, be of value for policy-makers as they design policies for cotton sector export development.

As progress continues to be made in the Doha Round on the trade policy aspects of cotton, I commend Patricia Francis and her team at ITC for their important contribution to the implementation of the WTO mandate on the development aspects of cotton. This is a vital complement to the outcome of the DDA.



Pascal Lamy
Director-General
World Trade Organization

The *Cotton Exporter's Guide* is a reference book that contains pragmatic and operational information on the international cotton market. The objective is to provide all those engaged in producing and exporting cotton with a thorough and down-to-earth understanding of all aspects of the international cotton trade.

This guide is primarily targeted at cotton producers, ginnerers, exporters and traders in cotton producing developing countries, mainly, but not exclusively, in Africa. As the guide provides a comprehensive view of all aspects of the cotton value chain from a market perspective, it will also help government officials to gain a deeper understanding of the crucial aspects that need to be addressed in cotton export development.

The *Guide* covers all the essential components of the cotton trade. Its ambition is to meet the needs of today's exporters who face many challenges – commercial, technical, logistical, environmental and social – in an increasingly sophisticated and competitive trading environment.

ITC's view is that for exporters to become internationally competitive, they need to have a comprehensive overview of the entire value chain they are operating in. The guide reflects this view entirely.

The Guide provides an important element of what is required to increase competitiveness in a global sector that is influenced by market adjustments after the quota phase-out in the textile and clothing sector.

ITC Cotton Programme, developed following the market adjustments, seeks to build capacity among cotton growers, ginnerers and exporters through a comprehensive 5-step market-oriented programme:

1. Delivery of an awareness building programme to African cotton growers and traders through the dissemination of and training on the Guide.
2. The design and implementation of a capacity building strategy to strengthen cotton-specific Trade Support Institutions, such as the African Cotton Association, to reach out to all of the 33 African cotton producing countries.
3. Implementation of a Cotton Training Programme together with developing countries that have successfully developed their own cotton sector, such as India, China and Brazil, etc. African cotton producers will, thus, learn from best practice around the world and will benefit from South-South knowledge transfer in areas such as cotton production management, processing, value addition as well as international cotton trade, etc.
4. Implementation of a textile and clothing awareness programme for cotton producers so that the latter better understand the immediate market for cotton and its requirements. Such a programme will be organized in textile producing (and thus cotton consuming) markets. It will also provide insights into value-addition possibilities and best practices mainly from Asia.
5. The promotion of African cotton to the booming textile industry in Asia. This includes business networking events, a series of South-South round tables and technical workshops in partnership with the African Cotton Associations and Textile Manufacturer Associations in the respective markets to facilitate networking and share experiences and best practices.

In all its activities, ITC will involve the cotton industry, including international traders and draw upon their expertise. The market is always the starting point of ITC's operations.



Patricia Francis
Executive Director
International Trade Centre

Acknowledgements

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