



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

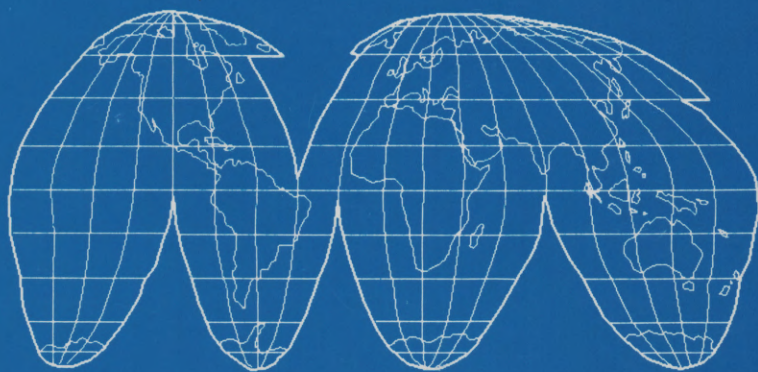
**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# Commodity Promotion Policy

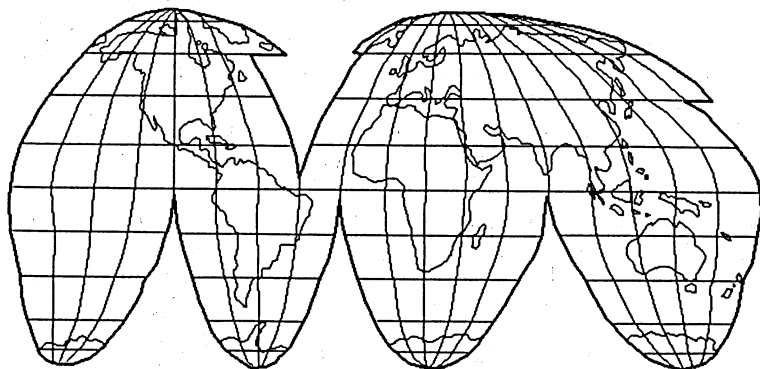


in a  
**Global  
Economy**

Proceedings of a Symposium  
October 22-23, 1992

Arlington, Virginia

# Commodity Promotion Policy



## in a **Global Economy**

EDITED BY

*Walter J. Armbruster and John E. Lenz*

SPONSORED BY

*NEC-63 Research Committee  
On Commodity Promotion  
Agricultural Marketing Service, USDA  
Economic Research Service, USDA  
Foreign Agricultural Service, USDA  
Farm Foundation*

PUBLISHED BY

*Farm Foundation  
1211 West 22nd Street  
Oak Brook, IL 60521-2197  
1993*

## CHALLENGES AND STRATEGIES FOR THE COTTON INDUSTRY

*Dean B. Turner  
Cotton Incorporated*

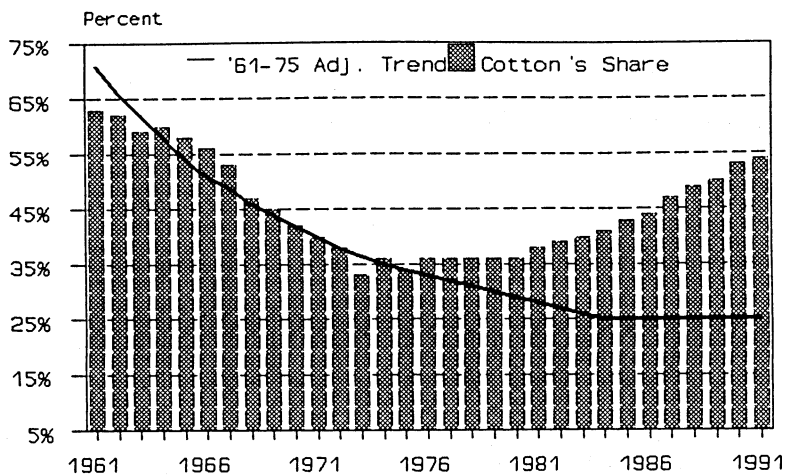
Cotton Incorporated is the fiber company of the U.S. cotton grower, organized in 1970 to revitalize an industry under stiff competition from synthetic fibers. This self-help program was started to combat the gains of the "miracle" synthetic fiber products, such as double knit polyester slacks, which threatened to make cotton as useful as the buggy whip. Fortunately that has not occurred, due in part to our aggressive program of research and promotion. Today king cotton again stands tall with record crops and sales the last few years.

Realizing that the purpose of NEC-63 is to evaluate the success of checkoff programs, I have included market data. Figure 1 shows cotton's share of consumer fiber purchases, excluding carpets, trending downward but rebounding to a strong 54 percent in 1991. There is no question that the U.S. cotton grower has benefitted from this program.

Early in our history, we recognized the need to have a global presence and in 1973 we established our international division to provide meaningful technical and information services that could add value to U.S. cotton consumed overseas. In 1982 we established offices in Europe and the Far East to reduce response time, and today we operate a "cotton communication" network on which the sun never sets with offices in the United States, Japan, Singapore and Switzerland. The dialogue between these offices and with our contacts globally has given U.S. cotton a true worldwide marketing perspective we feel is vital.

The U.S. cotton grower is committed to the international market, which typically represents 40 to 50 percent of our total business (Figure 2). This global perspective has also been worthwhile because, interestingly, while some U.S. industries have lost worldwide competitiveness, U.S. cotton exports have remained strong. In fact, while the United States has represented 12 percent of total world trade in goods and services in recent years, American cotton accounts for more than 29 percent of the world's raw cotton trade (Figure 3).

**Figure 1. Cotton Share of Total Apparel & Home Fabrics\* Market.**



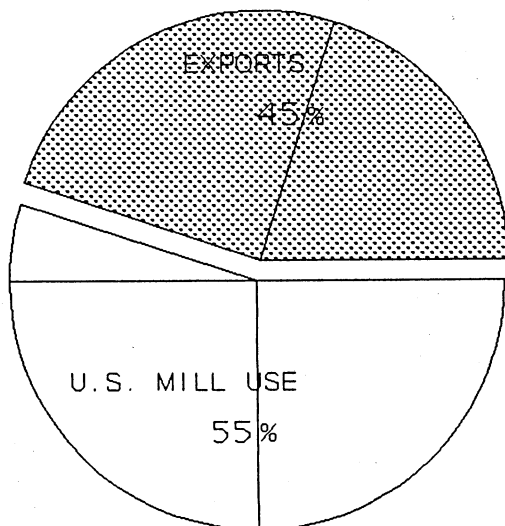
Source: NPD and Trade Data

\* Excludes Carpet

# Trend Assumes Leveling of Share at 25%

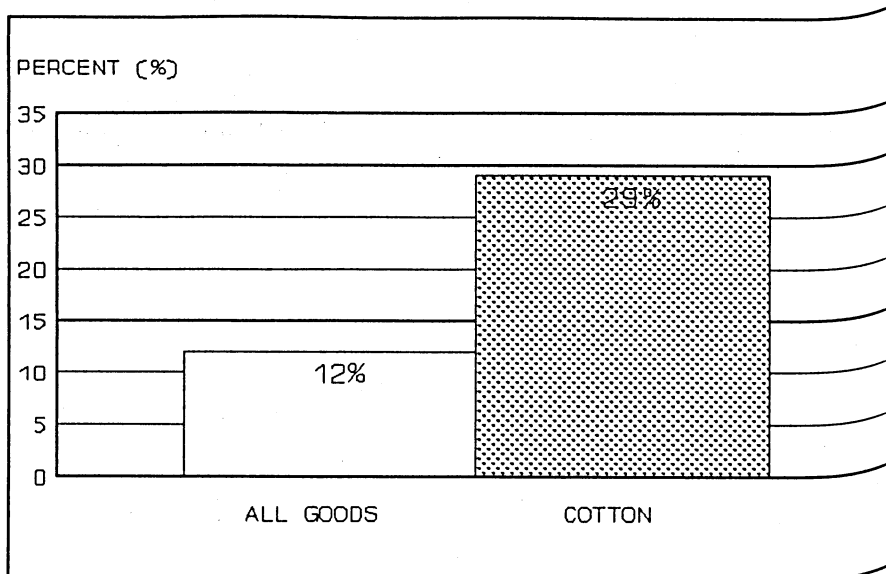
Source: Consumer Purchase Diaries (NPD) and trade data.

**Figure 2. Share of U.S. Cotton Demand Average 1988 to 1991.**



Source: USDA/International Cotton Advisory Committee.

Figure 3. U.S. Share of World Trade Average 1988 to 1991.



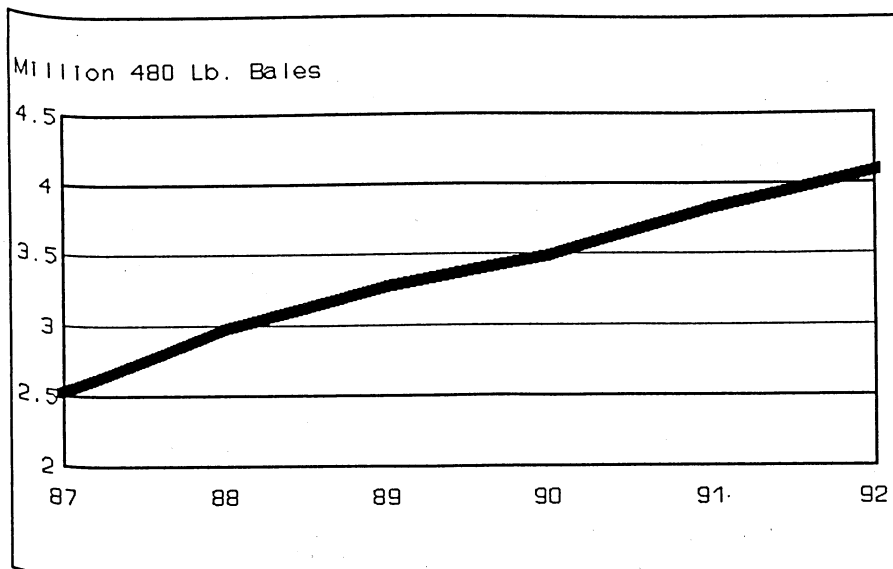
Source: USDA/International Cotton Advisory Committee.

With this background, let us look at the challenges and strategies we think are important as we move toward the 21st century with many unknown variables. The breakup of the Soviet Union, the emerging cotton economies, the potential of the North American Free Trade Agreement (NAFTA), and the addressing of environmental concerns are all major issues. What do these global issues mean to U.S. cotton, and how can we mold our approach to the greatest advantage?

First, U.S. cotton now faces new competition in traditional markets from other sources of cotton fiber, particularly the former Soviet republics of Central Asia. This cotton at one time was primarily traded by barter within the Communist Bloc, but today it is appearing throughout Western Europe and will eventually become a factor in our largest markets in the Far East.

The flip side of this situation is that Russian and Eastern European mills are now beginning to consider sourcing from the United States. Hopefully, the net effect on exports will be nominal, but Cotton Incorporated will need to consider the manpower and infrastructure required to maintain technical services across a broader territory. To date, we have initiated activities in Eastern Europe and have met with Russian textile leaders. Interestingly, we find that one of the main needs is to educate these potential users about U.S. cotton quality, which is either an unknown or, more typically, a negatively perceived factor. Our expectation is that this interaction will grow as

Figure 4. Textile Mill Cotton Consumption ASEAN Countries.



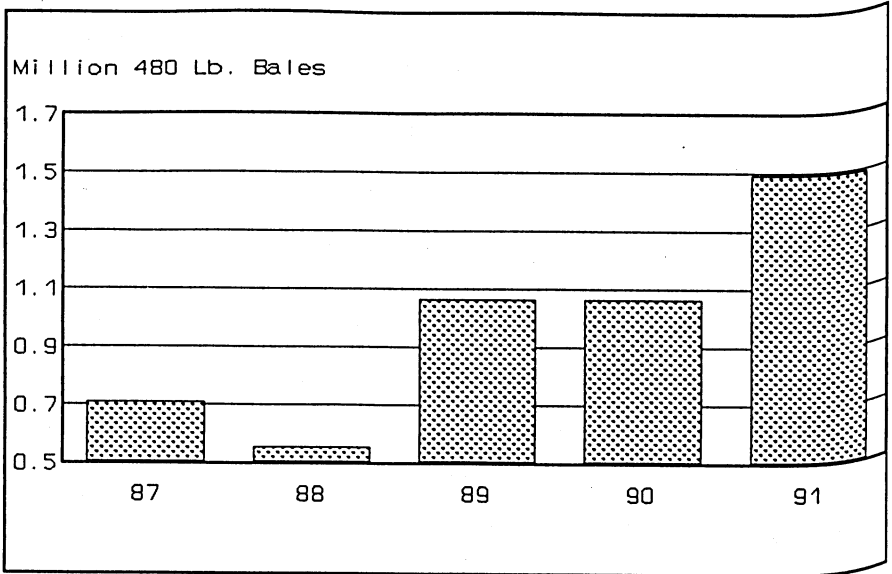
Source: USDA/International Cotton Advisory Committee.

U.S. exports increase, especially with the support of General Sales Manager (GSM) and PL-480 funding.

The market proliferation alluded to above has forced Cotton Incorporated to broaden its activities with new offices and territories over the years. This is an important investment strategy that has worked because we have been there to help markets grow. For instance, our Singapore office was established in 1989 to cover the rapidly growing Association of Southeast Asian Nations (ASEAN) region whose cotton consumption reached 4 million bales this year (Figure 4). Our presence, and the attention paid to this region by the industry in general, has helped turn our export position around by telling the mills in Indonesia, Thailand, etc. that the U.S. cotton industry is interested in their business and, more importantly, willing to provide service. Last year, U.S. exports of 1.5 million bales exceeded those to Western Europe for the first time (Figure 5). Interestingly, this represented 22 percent of total U.S. exports.

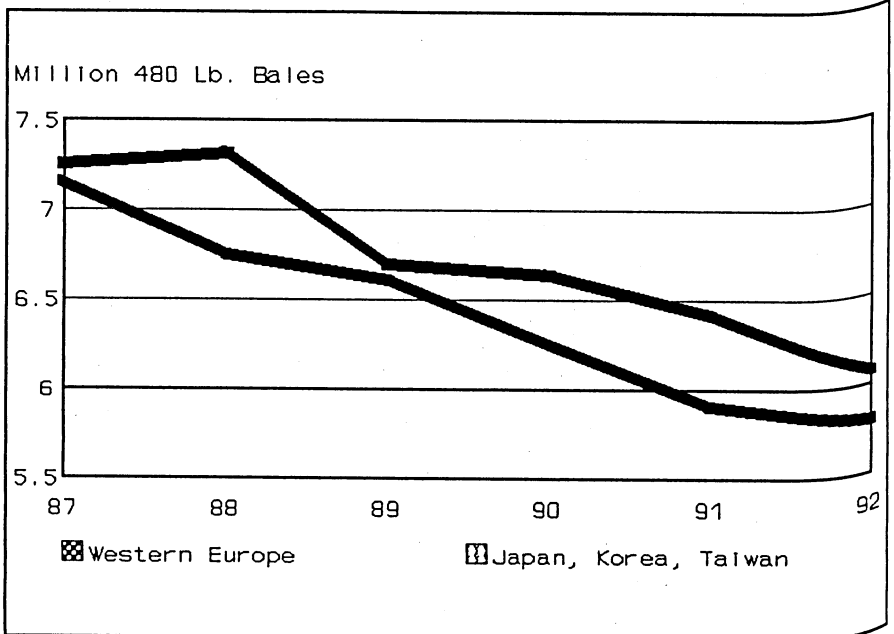
As new markets grow, another question comes to mind, and that is the relative importance of traditional markets such as Western Europe, Japan, Korea and Taiwan. There is no question that spinning has and will continue to decrease in these markets (Figure 6). However, these countries will remain extremely important consumers of cotton products in some form. In these cases our focus is moving closer to the end product manufacturer with fashion and development high on our priority list.

Figure 5. U.S. Cotton Exports ASEAN Countries.



Source: USDA/International Cotton Advisory Committee.

Figure 6. Textile Mill Cotton Consumption.



Source: USDA/International Cotton Advisory Committee.

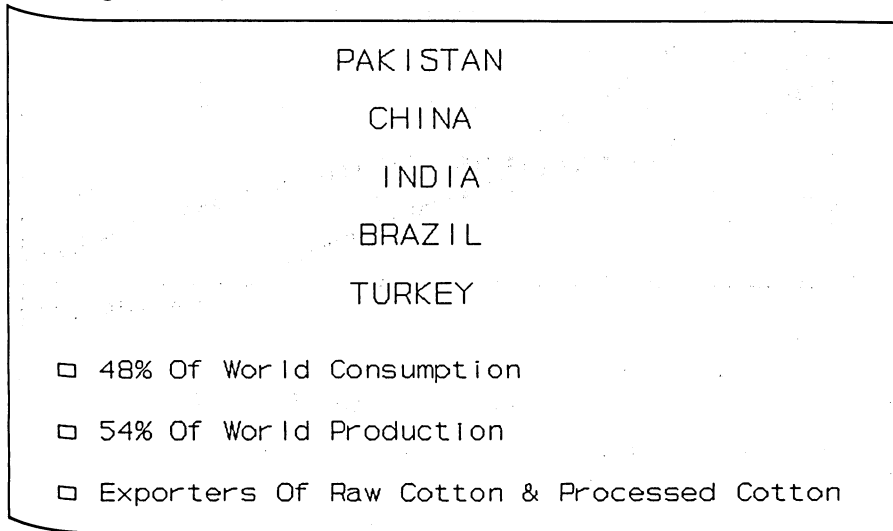


We believe this type of thinking is crucial to the long-term health of our industry because, although our main goal is to support U.S. cotton exports, we must always recognize that without a strong consumer market for cotton around the world, synthetic fibers could become more important. For this reason, Cotton Incorporated has increased its fashion presence overseas and has consistently supported the Cotton USA program, managed by Cotton Council International, which uses Market Promotion Program (MPP) funding through the U.S. Department of Agriculture (USDA).

Another area of interest is Mexico, which has dramatically decreased its cotton production in recent years. The latest estimate we have seen is 200,000 bales for the 1992/93 crop year. With consumption potential of more than one million bales, this could become a tremendous natural market for U.S. cotton. In addition, this potential will only grow with the ratification of NAFTA, whether in its present or a revised form. Therefore, we are initiating activity in this market and will be examining its potential, which could include U.S. mill investments and certainly will involve cut, make and trim industries. In reality, Mexico will likely become an extension of the U.S. market over time.

You may now be wondering why I have not mentioned countries like China, Pakistan, India, Brazil and Turkey, all large consumers of cotton, but also large producers. These are markets that help maintain the worldwide supply of cotton products in competition with synthetic fibers. Specifically, they represent 48 percent of world cotton consumption and 54 percent of world production (Figure 7).

**Figure 7. Large Raw Cotton Consumers/Producers of Cotton Products.**



Source: USDA/International Cotton Advisory Committee.

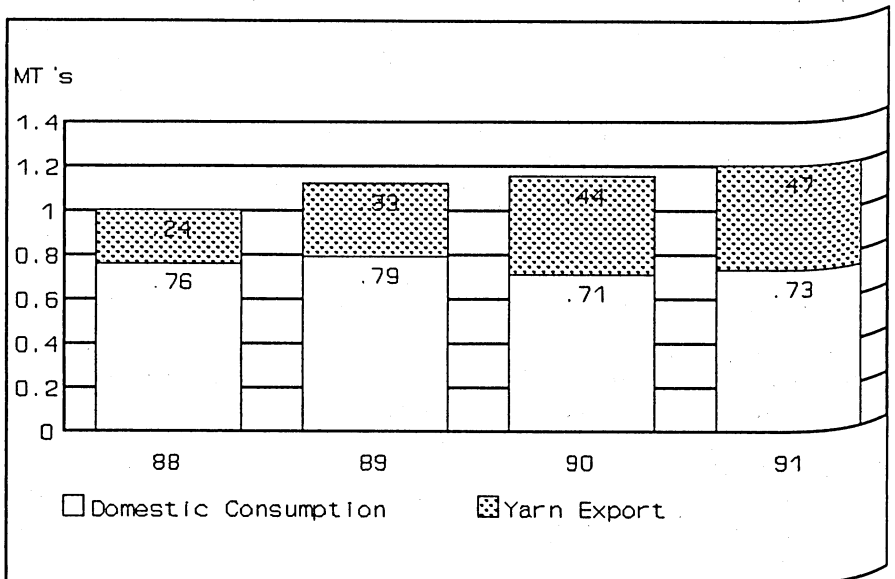
However, in most cases they must be viewed as being in competition with countries producing products using our fiber. The difficulty here is that they are all export oriented and as they produce more yarn, fabric and garments for export, they diminish the ability of traditional customers, including U.S. textile mills, to purchase U.S. cotton.

Pakistan is a good example of a country that has increased yarn production dramatically, as shown in Figure 8. All of the increase has been for export, reaching 470,000 metric tons in 1991. I have just returned from Japan and their difficulties directly result from increased yarn imports from Pakistan which will approach 1 million bale equivalents this year. It is little wonder that Japanese cotton use fell to 2.8 million bales this year and is forecast to drop to 2.5 million bales in 1993.

After pointing this out, I must admit, we would prefer cotton competition to synthetic fiber competition, which will not go away and certainly does not respect national boundaries. This leads me to the final challenge of maintaining the competitive position of cotton fiber in the world marketplace.

At Cotton Incorporated, maintaining the competitive position of cotton fiber is a top priority as we strive to help insure that the cotton we grow meets the needs of textile mills around the world. This effort must recognize that, as the industry moves toward more sophisticated machinery that functions at higher speeds, the demands

Figure 8. Pakistan Cotton Yarn Production.



Source: USDA/International Cotton Advisory Committee.

on strength and uniformity increase. Members of the U.S. cotton industry are leaders in advanced technologies such as High Volume Instrument testing, which is revolutionizing the way cotton is marketed. This approach, along with sophisticated management systems such as our Engineered Fiber Selection™ software, allows our naturally variable cotton fiber to compete more effectively with the laboratory-produced uniformity of synthetics.

We must also address the environmental questions being raised around the world. Therefore, we are in the forefront of research designed to insure that U.S. cotton is grown under the most stringent, environmentally safe conditions. Biotechnology and seed genetic research that reduce cotton's reliance on chemicals are all part of the "sustainable agriculture" movement that is our best bet to preserve an environment of which future generations may be proud. That Cotton Incorporated is dedicated to developing these kinds of long-range environmental strategies is only common sense because our owners, the cotton growers, are natural environmentalists who must rely on their land today and in the future. Our challenge as an industry is not only to create the most environmentally viable approaches, but also to get our message heard over the din of the misinformation being spread about our industry. In other words, again we must communicate.

Finally, let me make one last observation about the world economy and the global perspective we embrace. It is obvious that the world is moving toward a single economic network. Modern travel and communications mean that events in Moscow, Tokyo, London and Washington are all intertwined in ways unimaginable a few decades ago. We must learn to deal with a changeable, competitive and challenging world cotton economy that is critical to our long-term success.

At Cotton Incorporated we will continue to develop global strategies that recognize our strengths and weaknesses and we as an industry will compete in this ever-changing environment. Our goal will continue to be creating a positive image for U.S. cotton through value-added services. These services will focus on our unequaled technical strengths in cotton textile processing and our many information services with a focus on fashion.

Finally, if I can leave you with one key strategy we truly believe in, it would be global communication—it works. Our network of offices and system of regular service visits offer unique opportunities to understand and communicate with our customers worldwide. The basic marketing principle of "know thy customer" is best addressed by being there, which is a strategy more U.S. industries should learn and certainly is an important justification for checkoff programs such as ours.