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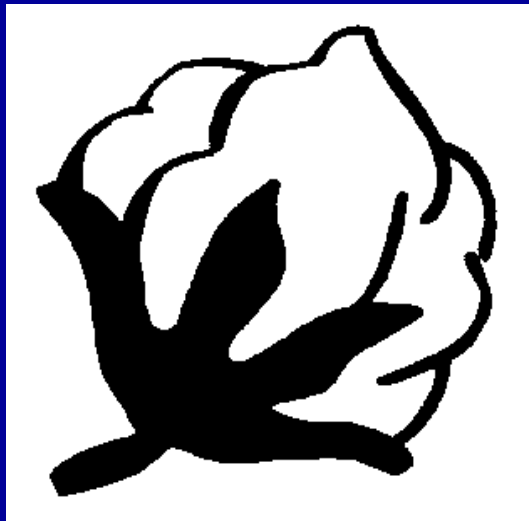
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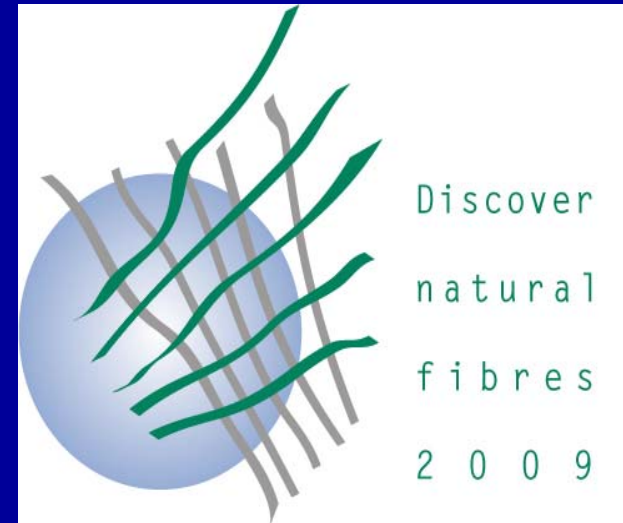
# Structural Change in the World Cotton Industry



USDA Outlook  
Forum

February 19, 2010

[www.ICAC.org](http://www.ICAC.org)



# 69<sup>TH</sup> PLENARY MEETING OF THE INTERNATIONAL COTTON ADVISORY COMMITTEE



**Lubbock, Texas, USA**  
**September 19 to 24, 2010**



Online registration starts May 1<sup>st</sup> 2010 at [www.icac.org](http://www.icac.org)  
For more information about the meeting, contact the office  
of the Secretariat in Washington DC, USA  
Email: [plenaryinformation@icac.org](mailto:plenaryinformation@icac.org)  
Tel: 1-202-463-6660  
Fax: 1-202-463-6950



# ICE COTTON PRICES

US cents/lb

120

110

100

90

80

70

60

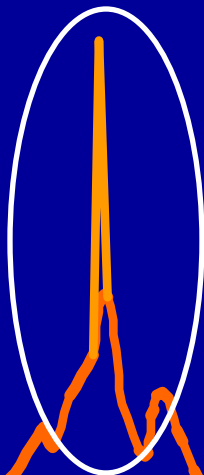
1/1/08

2/15/08

3/31/08

5/15/08

6/29/08



# **Companies Unable/Unwilling to Continue:**

- **Albrech, Muller-Pearse**
- **Dunavant**
- **Joseph Walker**
- **Reinhart, USA**
- **Weil**

# STRUCTURE OF WORLD TRADE BY FIRMS' OWNERSHIP

<b>418</b>	<b>PRIVATE</b>
<b>22</b>	<b>GOVERNMENT</b>
<b>9</b>	<b>COOPERATIVES</b>

# STRUCTURE OF WORLD TRADE BY FIRMS' SIZE

	1994	2009
LARGEST	19	10
LARGE	51	37
MEDIUM	50	51
SPECIALIZED		351

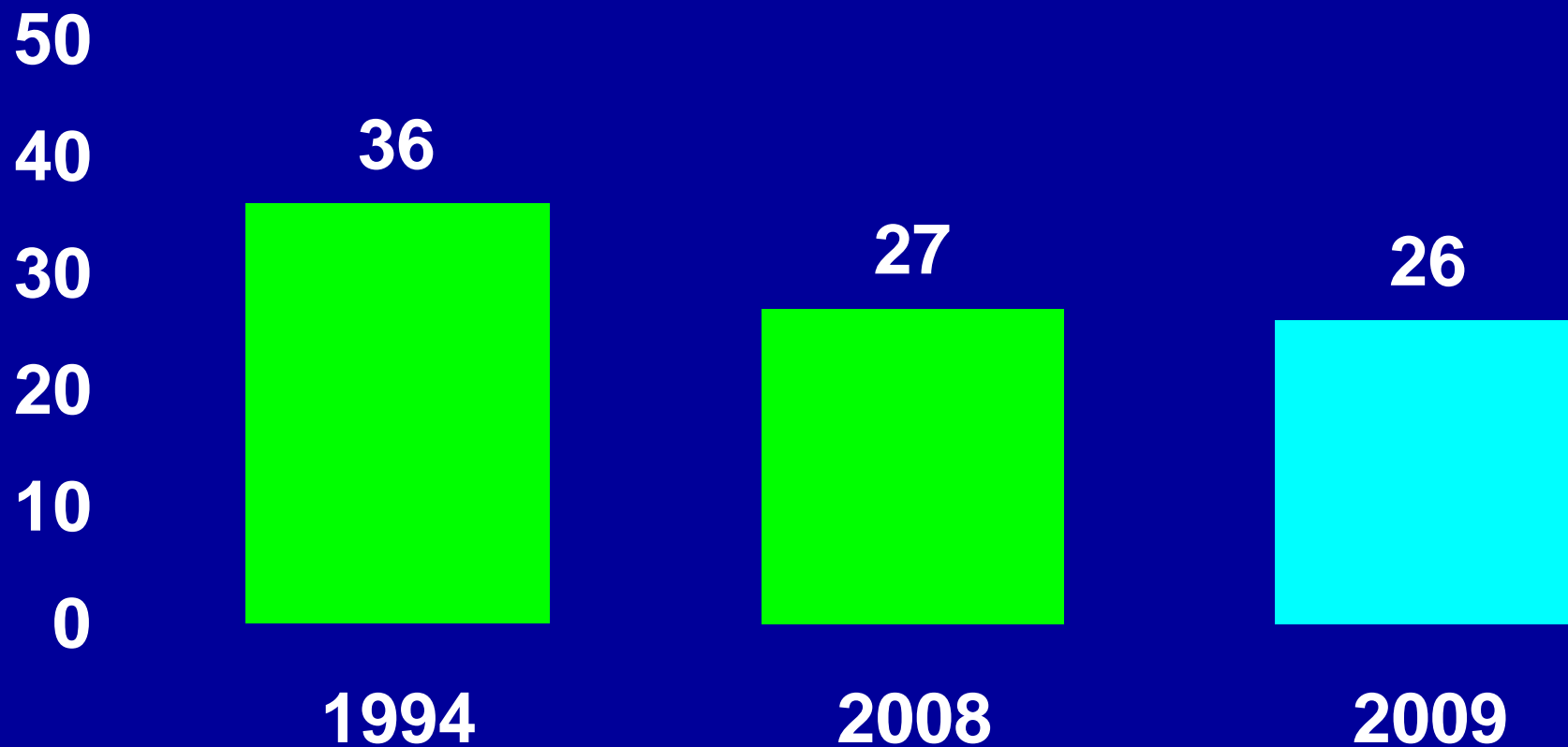
# Largest

- **Allenberg**      **USA**
- **Cargill**        **USA**
- **Staple**         **USA**
- **Olam**            **Singapore**
- **Chinatex**      **China**
- **Reinhart**      **Switzerland**
- **Ecom**            **USA**
- **MFERIT**        **Uzbekistan**
- **Plexus**         **UK**
- **Toyo**            **Japan**



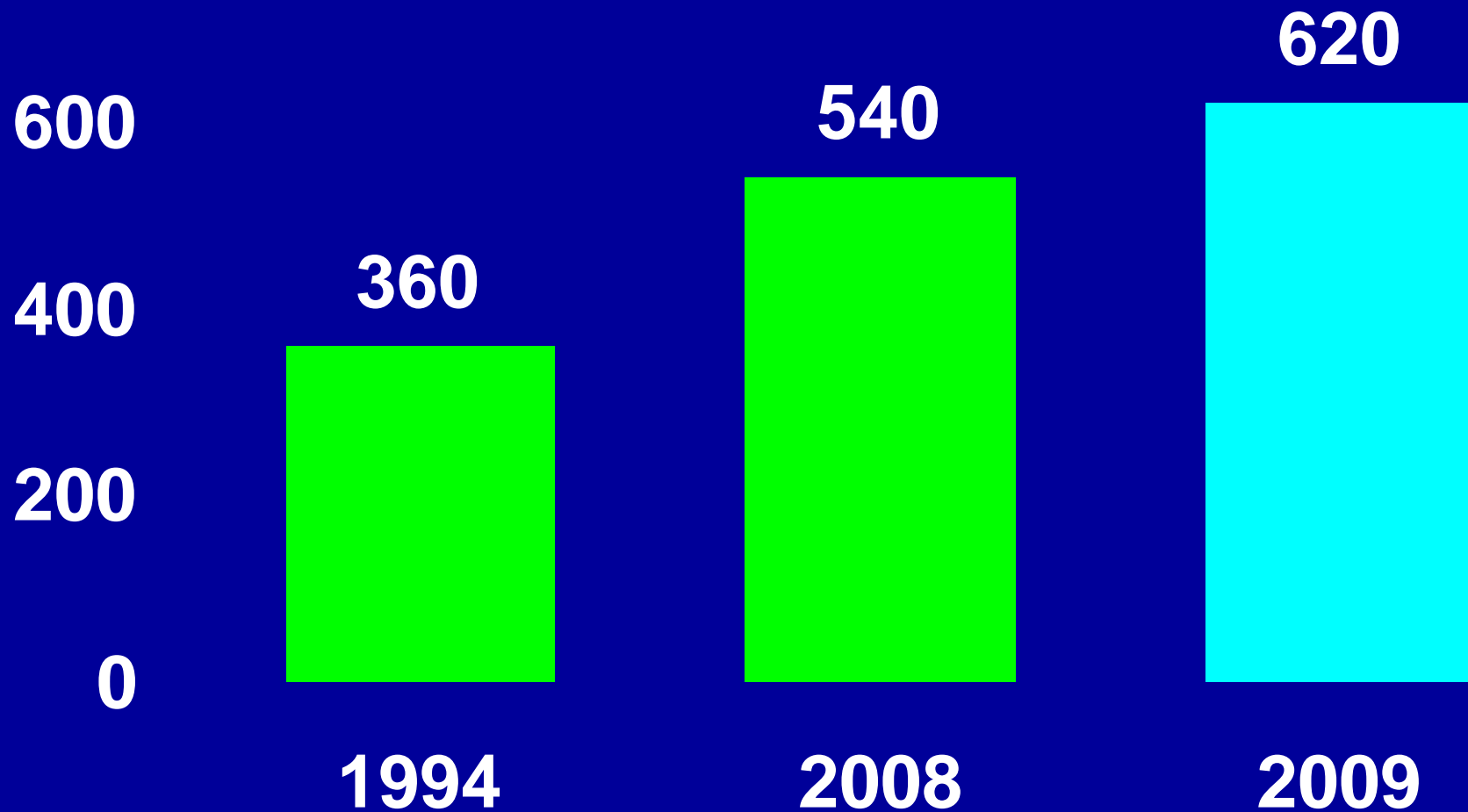
# LARGEST FIRMS

Percent of World Production



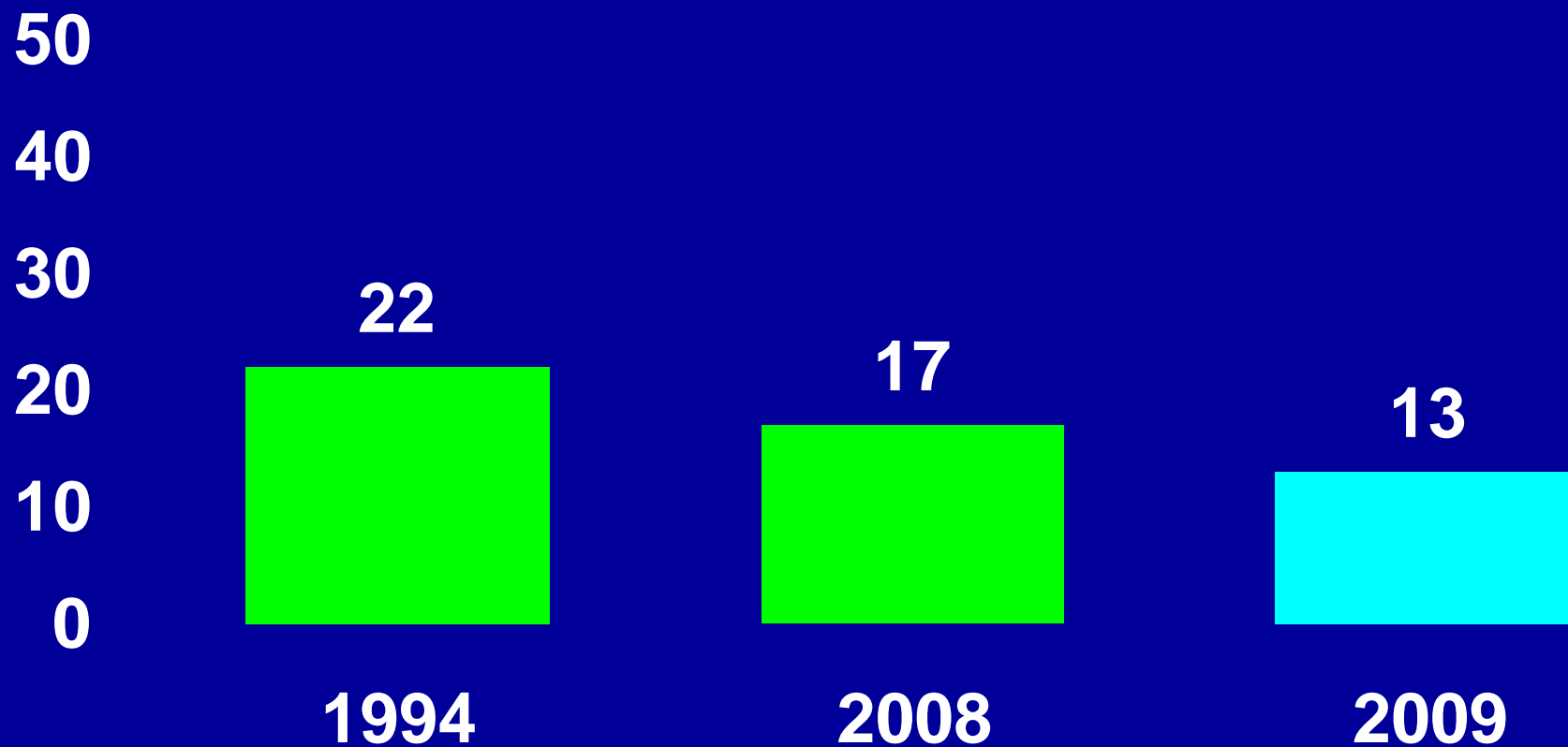
# AVG. VOL. LARGEST FIRMS

Thousand Tons



# LARGE FIRMS

Percent of World Production



# AVG. VOL. LARGE FIRMS

Thousand Tons

600

400

200

0

80

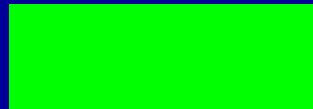
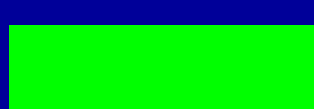
100

90

1994

2008

2009



# AVG. VOL. MEDIUM FIRMS

Thousand Tons

600

400

200

0

26

28

25

1994

2008

2009



# Implications:

## Competitive Market:

State Trading Agencies

Cooperatives

Publicly Traded Companies

Privately Held Companies

Largest handle just 1/4 of production

# Implications:

- **Greater Capital Requirements:**

today:      \$3 Line of Credit / \$1 Equity

2007:      \$6 Line of Credit / \$1 Equity

- **Shorter time horizons to buy/sell**

# Implications:

- **Reduced hedging with futures/options**

**Feb 2010:**

**14¢ out-of-the-money Call = 2¢**

**Feb 2007:**

**4.6¢ out-of-the-money Call = 2¢**



# Implications:

- **Advantage for  
multi-commodity,**

**Multicountry / region firms:**

**Examples: Noble, DCC, Multigrain**

# Implications:

- **Different skills needed:**

**Knowledge of Cotton no longer crucial,**

**Financial Management &**

**Access to Capital**

**determine business prospects**