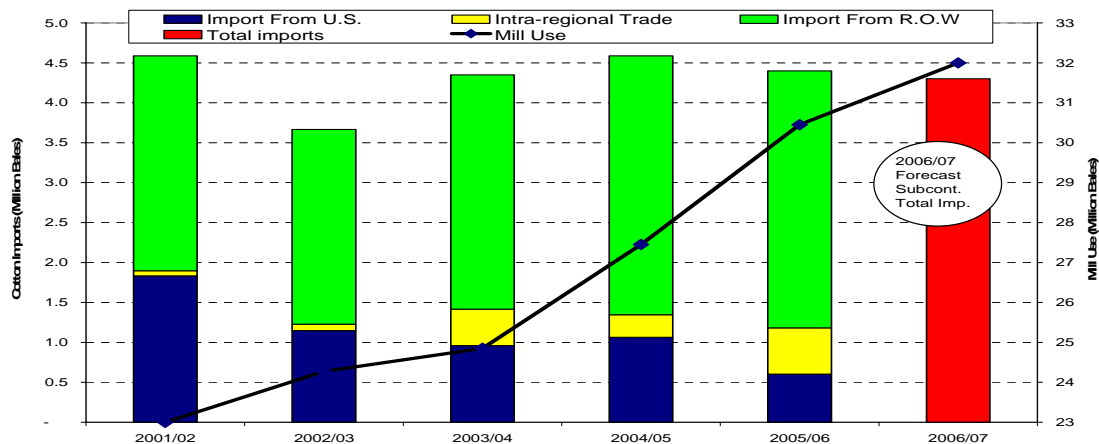




# Cotton: World Markets and Trade

## Record Mill Use and Intra-regional Cotton Trade for Indian Subcontinent in 2006/07



The Indian Subcontinent (India, Pakistan, and Bangladesh), the world's largest consumer of cotton outside China, will remain well over 90 percent self-sufficient in 2006/07. India's success in increasing cotton yields in recent years has helped Subcontinent self-sufficiency. In 2001/02, India was the third largest destination for U.S. cotton. In 2006/07, however, India is likely to be the third largest cotton exporter in the world, competing with the U.S. for importing markets.

The Subcontinent's mill use has increased 39 percent in the last 5 years, while use outside of China and the Subcontinent has dropped 13 percent in the same period. The increase in mill use was due, in part, to the region's success competing in the world textile market. In addition to having some of the lowest labor costs in the world, the Subcontinent receives zero-duty preferential treatment from the European Union, which makes its textile and apparel industry very competitive. The Multi-Fiber Arrangement has also boosted textile and apparel exports; hence domestic mill use.

Domestic use is expected to surpass previous records in all three Subcontinent countries: India (17.5 million bales), Pakistan (12.2 million bales), and Bangladesh (2.3 million bales). Each country's record domestic use is attributed both to larger local consumer demand and exports of textile and apparel products.

Despite record domestic mill use, the Subcontinent's imports remain stable due to the increase in India's production. Bangladesh imports almost all of its cotton needs. India and Pakistan, however, import predominantly only their Extra Long Staple (ELS) and other superior quality cotton needs.

Based on data from FAS foreign posts and other sources, the intra-regional trade for the Subcontinent was minimal up to 5 years ago. Today, however, the trade between the three countries is estimated to have expanded, using more of India's cotton. For 2006/07, the volume of the intra-regional cotton trade is expected to reach a new record and may surpass the imports from the U.S. However, the need for higher quality cotton will likely cause the Subcontinent countries to continue importing from the U.S.













































