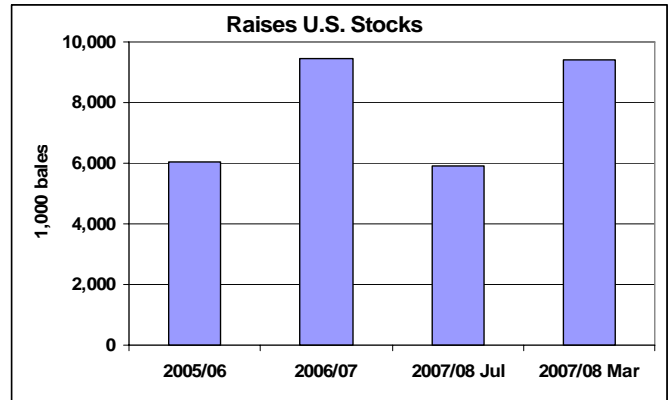
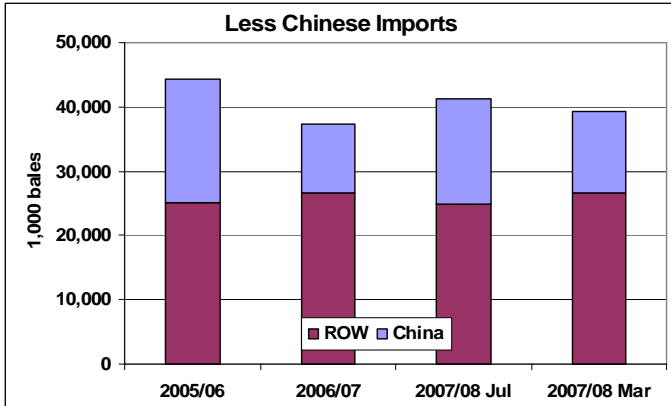


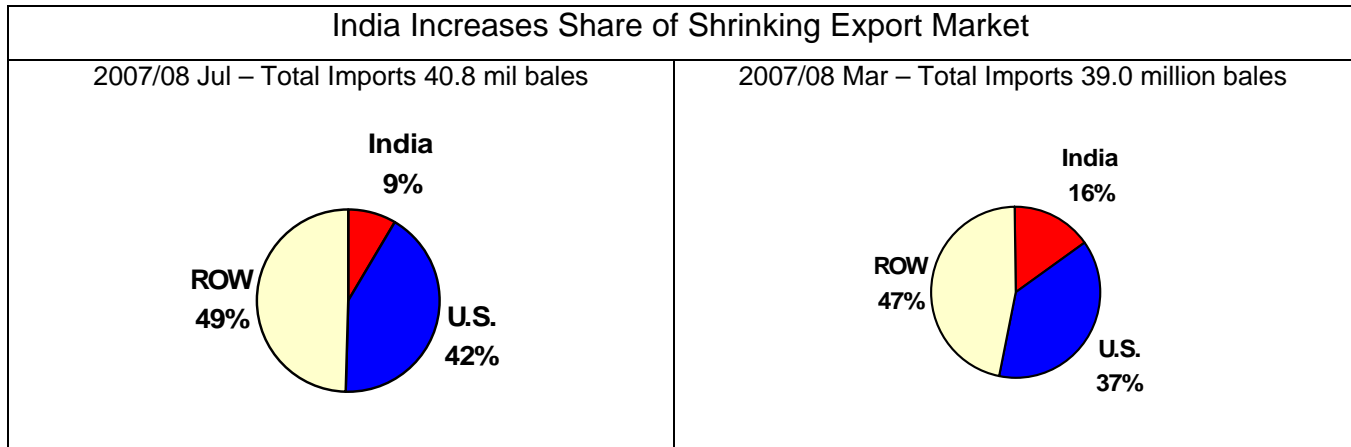


Cotton: World Markets and Trade

Weaker Demand and Greater Competition U.S. Dampen Exports.



India Increases Share of Shrinking Export Market



At the beginning of the 2007/08 marketing year, with large carry over stocks, the U.S. exports were expected to be very competitive. After the first 3 months shipments of 3.6 million bales were more double the previous season and exports to all major markets were up. Although, exports in the second half of the year are traditionally the stronger period, recent developments have diminished expectations.

India is providing greater competition to the United States as its fifth consecutive record crop gets even larger and consumption flattens. Since the July forecast, the crop is up by 2 million bales while consumption has declined by 2 million bales. As a result of this the export forecast for India is now 2.6 million bales greater than the July forecast. A large portion of the additional exports are expected to move to China and Pakistan.

In China, in addition to the greater competition from India, total expected import demand is falling as credit tightens and slowing world economic growth limits Chinese mill demand for cotton. The recent run-up in cotton prices further dampened demand, by increasing uncertainty and cutting margins as yarn prices have not increased and yarn inventories have risen.

The United States is losing market share in Indonesia and Pakistan as India has increased its competitiveness. And even in Turkey, Thailand, and Taiwan where India is not a major competitor import demand is shrinking.

