



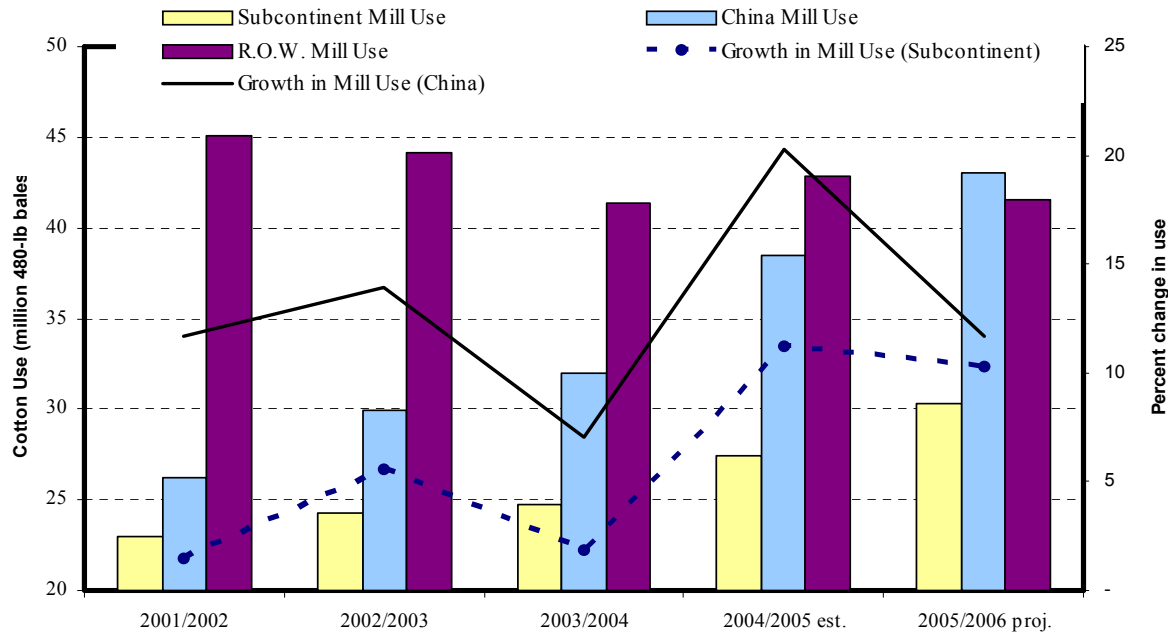
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Cotton: World Markets and Trade

Subcontinent Mill Use Hits Record; Still Below China



Indian Subcontinent (India, Pakistan, and Bangladesh) mill use is expected to reach a record 30.3 million (480-lb) bales in MY 2005/06, surpassing last year's record by more than 10 percent. The growth in the Subcontinent mill use is above the world average (5.6 percent) and slightly less than China's growth (11.7 percent) for MY 2005/06. The Subcontinent is already the world's largest consumer of cotton outside China, but unlike China, is over 90 percent self-sufficient.

Domestic use for each of the three Subcontinent countries will also surpass previous records: India (16.8 million bales), Pakistan (11.8 million bales), and Bangladesh (1.8 million bales). Record domestic use is attributed both to increased domestic retail sales and exports of textile and apparel products. In addition to having some of the lowest labor costs in the world and receiving zero-duty preferential treatment from the European Union, the removal of the Multi-Fiber Arrangement has made the Subcontinent's textile and apparel industry very competitive.

The United States is the major cotton exporter to the Subcontinent, with a market share between 10 to 47 percent over the past 5 years. However, in recent years, U.S. market share in the Subcontinent has decreased. This decrease is driven primarily by a drop in market share in Bangladesh and India, and as a result of the increased trade between Subcontinent countries. Both India and Pakistan are now exporting upland cotton to Bangladesh. India is also exporting cotton to Pakistan, as where there was virtually no cotton trade between the two countries before.