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Evolution of prices in 2024/25

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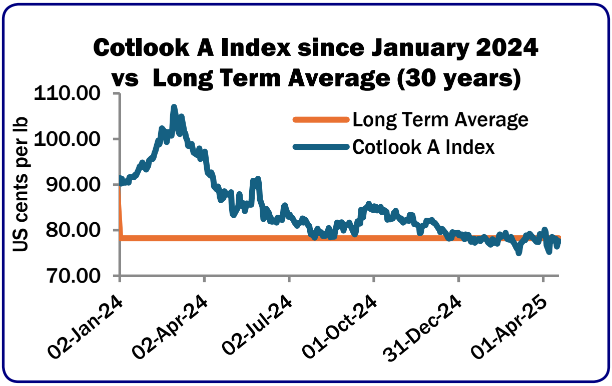
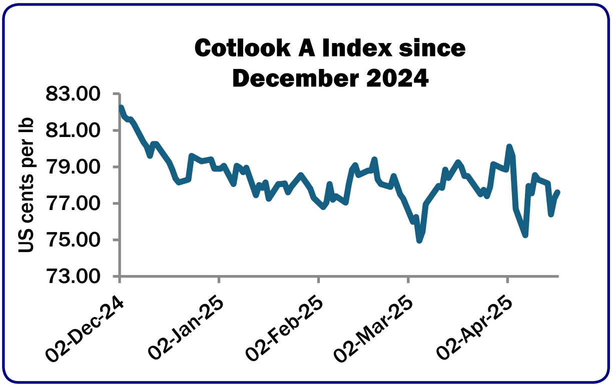
Editor, Cotton Outlook

For much of the past year, the dynamic of international cotton prices has been fairly subdued, with offering rates moving within narrow ranges but generally following a trajectory of long, slow attrition. After the exuberance at the beginning of 2024 produced by speculative investors, and notwithstanding a more modest rally around the the Sourcing Summit in the US in the autumn, cotton prices have been primarily influenced by a combination of growing supply, sluggish downstream demand and inter-fibre competition.



However, that pattern of minimal volatility and interest changed in early March with an escalation in the US trade war on China, Canada and Mexico that quickly spread to other countries and raised tariffs to unprecedented levels. By the time of writing in mid-April, import duties on Chinese goods entering the US had risen to at least 145 percent, those on Canada and Mexico were set at 25 percent, while a series of “reciprocal tariffs” on many other countries in the world had been paused for three months, although a blanket rate of 10 percent remained in place. At the same time, Beijing imposed a 125-percent tax on all US goods, effectively bringing most trade between the world’s two largest economies to a standstill.



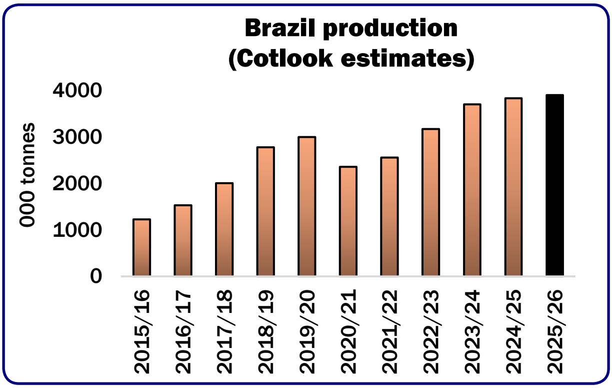
The effect on the cotton sector has been to produce substantial volatility, reflecting massive uncertainty in the market, not simply in respect of traditional trade flows for lint and textiles moving between the US and China, but also for the worldwide economy. A move towards a global recession will have significant implications for downstream demand, which had at last begun to show some signs of recovery.

Competition from Brazil

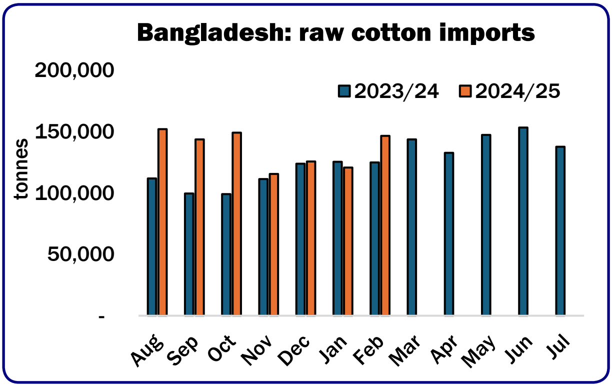
In a context in which raw cotton demand is again dampened, the question of competition from Brazil becomes even more important for producers in the African Franc Zone.

Brazilian cotton has for some time now been the lowest priced of the major exported crops. The key consideration in the prices that Brazilian producers are able to charge is their low cost of production, which is a function of several factors. The first, and most important, is that 70 percent of Brazil’s output comes from Mato Grosso, where the climate and terrain are able to support two harvests of different crops a year. Cotton is typically grown as a *safrinha*, a second crop, planted after the soybean harvest, and is thus highly lucrative to farmers in this state. Their economies of scale and an efficient, highly mechanised production system adds the cost-effectiveness of cotton production, despite the volume of inputs required by the model.

There is little doubt that Brazil is on a path to produce four million tonnes of fibre, whether that be in 2025 or later. However,



maintaining a consistent quality standard over such a large quantity is just one of the challenges faced by producers. Other issues that must be confronted as output expands include beleaguered export logistics resulting from the currently inadequate transport infrastructure.



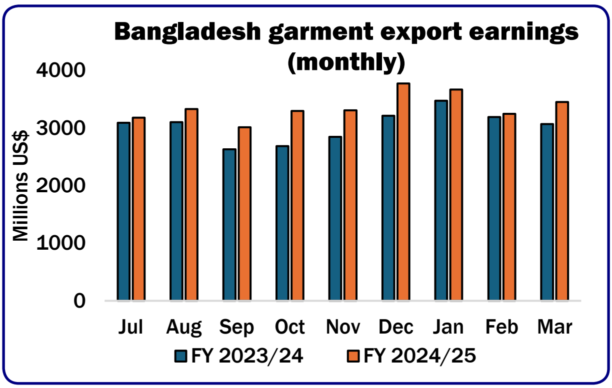
Challenges in Bangladesh

The principal market in size and significance for Franc Zone cotton is of course Bangladesh. The signals about the health and strength of textiles production and exports in Bangladesh have been somewhat mixed in the past year, since mass protests erupted in July in response to a change in government policy regarding public sector job quotas. The civil unrest that followed caused major disruption to industrial and commercial activity and eventually toppled the administration. Significant irregularities within the financial sector were also revealed, perhaps offering at least a partial explanation for the low level of foreign currency reserves, which had had such an impact on the ability of importers to open Letters of Credit and make timely payments for raw cotton and other goods.

Emergency measures for banks were introduced by the interim government, and while dollar holdings have improved a little, they remain low by historical comparison, and there are still widespread reports of difficulties within the banking sector, including the slow opening of Letters of Credit and late payments. Meanwhile, mills have made a shift to a short-term sourcing approach, buying smaller volumes and avoiding forward commitments in an atmosphere of uncertainty about the strength of downstream demand for textiles and apparel.

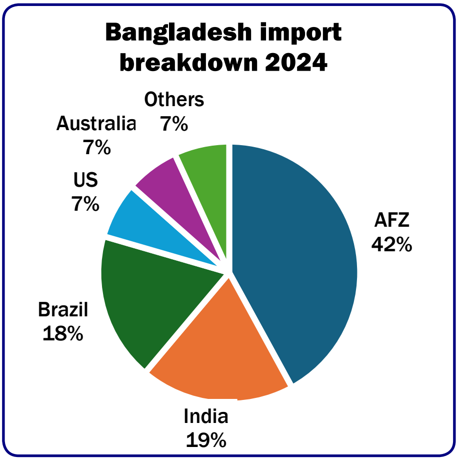
At the same time, though, raw cotton imports have been stronger in this marketing year than last, and given the hand-to-mouth strategy employed by most mills, we assume that the majority of the cotton arriving is making its way directly into consumption.

Total imports to Bangladesh between August 2024 and February 2025 were 955,000 tonnes, 20 percent more than for the same period in 2023/24, and 26 and 50 more, respectively, than the two seasons before that.



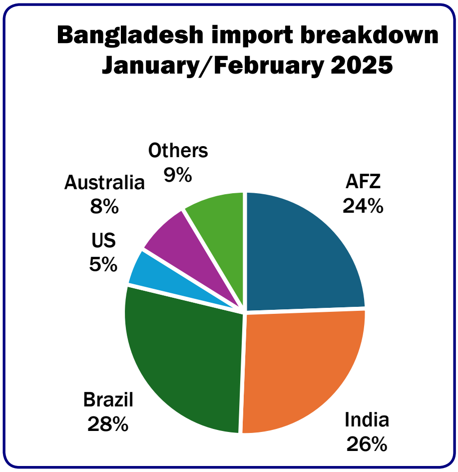
Export revenue for textiles and apparel also show an increase: the value of shipments in the current financial year so far is 11 percent higher than during the same period in 2023/24.

In terms of market share, the Franc Zone has appeared relatively strong – at least until recently. Despite an increase in availability from Brazil from 2023 to 2024 – output jumped by 17 percent between one season and the next – Brazilian cotton only gained two percentage points in terms of its market share in Bangladesh last year, at the expense of the US and Australia. Meanwhile, AFZ cotton represented a steady 42 percent of all receipts in both seasons.



However, the figures for the first two months of 2025 might make for more sober consideration. In January and February, less Franc Zone cotton arrived in Bangladesh than in the same time frame a year earlier, despite the fact that the total was seven percent higher. AFZ cotton actually lies in third place for this two-month period, behind both Brazil and India, which have market shares of 28 and 26 percent respectively, compared to the Franc Zone's 24. This might be a temporary anomaly, however it reflects the price advantage that Brazil in particular has over cotton from West Africa. Moreover, it is consistent with the fact that availability of AFZ cotton has been limited by much-reduced sales from origin.

One area of concern for the Bangladesh spinning industry is the rise in imported yarn, especially from India, which began in July last year as disruption caused delays in releasing cotton from ports. For many textiles manufacturers (and even some integrated mills), it has proved more convenient and cost effective to buy competitively priced yarn from the neighbouring country than it was to source, finance and ship raw cotton from further afield.



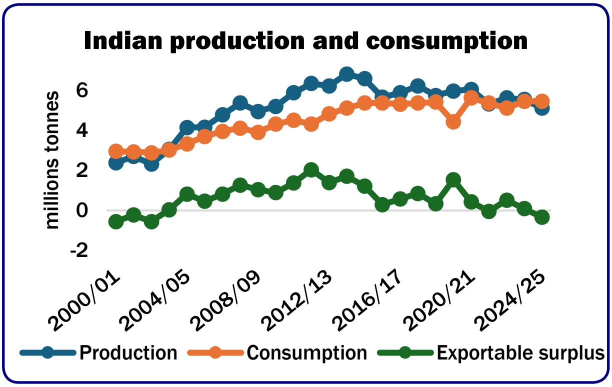
The Bangladesh government has recently put a stop to yarn imports travelling via the land border from India. Sea freight is unaffected, though, and clearly, this trade has implications for the use (and purchases) of raw cotton in Bangladesh, and therefore for its major suppliers. However, it might also highlight an opportunity.

Opportunities in India

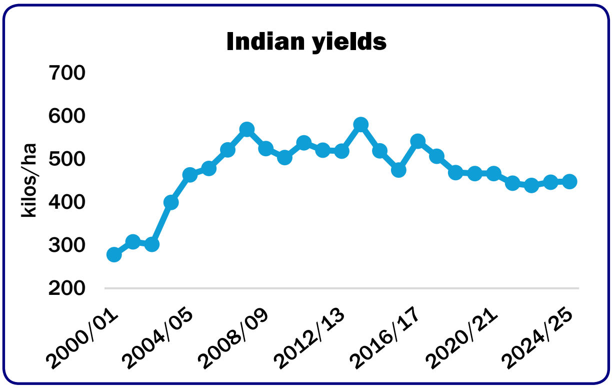
Traditionally, Indian yarn has overwhelmingly been composed of domestically produced lint. In large part, this is still the case, and in most seasons Indian spinners enjoy a significant competitive advantage over mills in Bangladesh, which are reliant on imports. However, disappointing yields in the former country in the past few years have discouraged farmers from planting cotton – the area dedicated to the crop in 2024/25 was just 11.3 million hectares, 12 percent lower than the peak of almost 13 million achieved four years earlier. In combination with stagnating or even declining yields, Indian production has fallen from over six million tonnes to 5.1 million in the same time frame. The high watermark for Indian output was 6.8 million tonnes in 2013/14 when 40 million local-weight bales were produced, at a point when yield achieved a peak of 580 kilos per hectare.

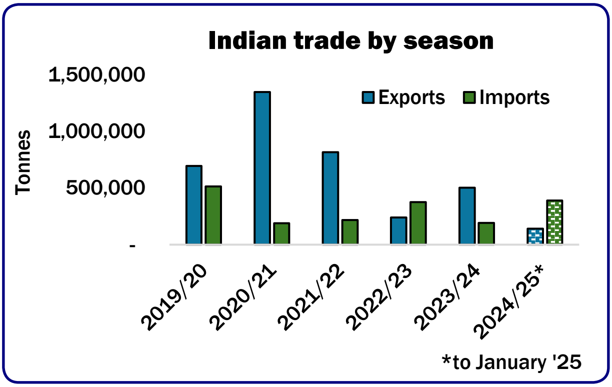
This does present an opportunity for African producers. As Indian consumption is more or less maintained, reflecting steady downstream demand from a vast domestic population and an increasing focus on exports of fabric and apparel, a structural deficit may emerge, and a greater focus on imports become apparent.

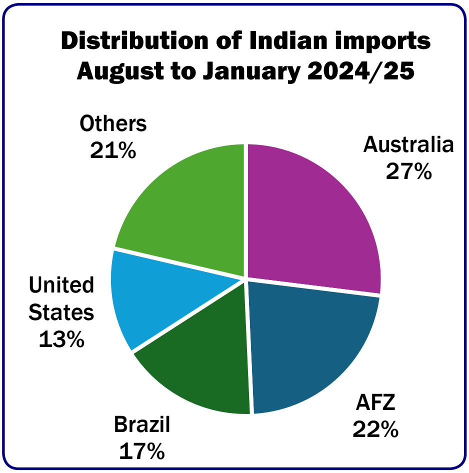
Indeed, for the 2024/25 Indian season (October to September), the Cotton Association of India forecasts total imports at 561,000 tonnes, compared to 272,000 for export. Moreover, 50 percent of CAI's estimate for imports had already been achieved in the first four months – October 2024 to January 2025 – and of that figure of 282,000 tonnes, 22 percent came from the Franc Zone, placing it in second position behind Australia with 27 percent and ahead of Brazil with 17 percent.



Africa's competitive position is assisted by the fact is that much of its cotton benefits from a 50-percent reduction in the import tax payable on most supplies. Maintaining and perhaps growing the presence of African cotton in the Indian market for imports should remain a priority.



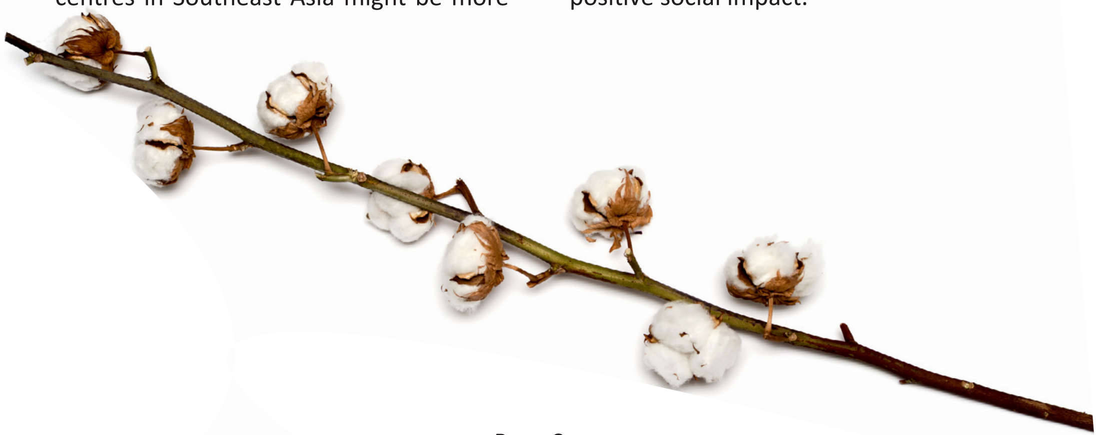




Opportunities elsewhere?

Achieving a similar level of representation in cotton-consuming centres in Southeast Asia might be more difficult, as China, Vietnam and other countries display a strong preference for machine-picked cotton imports, which come predominantly from Brazil, the US and Australia. That said, the growing importance of sustainability to consumers and legislators in downstream markets could provide a new opening for Franc Zone and other African cotton in that region too. Cotton from Africa has excellent sustainability credentials, both from an ecological and social point of view. It is predominantly rain-grown, uses a lower volume of chemical inputs than in other parts of the world and it provides a livelihood to communities with few alternatives to sustain them economically.

Achieving full traceability in the context of the African production model is not a simple matter, of course, and will probably require investment. At present, we must admit that the monetary value of the sustainability dividend to producers in many parts of the world is neither fixed nor large, but in order to capitalise on any future developments and benefits, it is imperative that African production is able to demonstrate to the standard required its lower environmental footprint and its positive social impact.

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The fall in the price of white gold threatens African production

Gérald Estur
Consultant, Former Statistician at the International Cotton Advisory Committee (ICAC) and Former Managing Director of Compagnie Cotonnière (COPACO)

(The views expressed in this article are those of the author alone)

African cotton buffeted by price shifts

Cotton has long been considered as the "white gold" of Africa. For many countries, it has been their main cash crop, the principal export product and the driving force behind rural development in the Sahel, producing significant benefits in the form of employment, food security, quality of life, and poverty reduction.

Even today, cotton is of huge socioeconomic importance to hundreds of thousands of farmers. However, given the rise in urbanisation all over the continent, it is now facing competition from other activities, even though cotton production is often the only route to procuring agricultural inputs on credit, to be repaid whenever the seed cotton is sold. Gold has overtaken cotton as the main source of export revenue for Mali and Burkina Faso.

Cotton is produced in some thirty of Africa's 54 countries, but the continent is only a minor player in the international cotton market, accounting for seven percent of global production on 15 percent of the area dedicated to the crop around the world, and for 15 percent of exports in 2023/24. Meanwhile, its consumption of the fibre is minimal, representing only 1.5 percent of the worldwide total.

The fact that 80 percent of African cotton production is exported (that proportion rises to 98 percent when talking about the Franc Zone countries) means that it is heavily dependent on the international market and particularly sensitive to fluctuations in world prices.

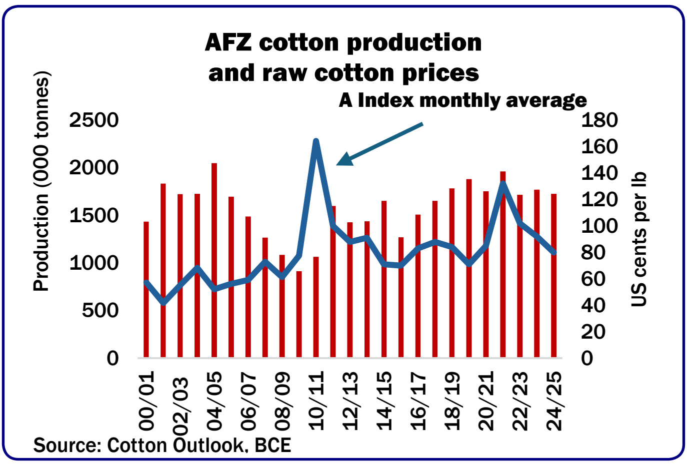
After most countries achieved independence, cotton production in the continent reached one million tonnes (Mt) of fibre in 1964/65. It increased rapidly in the decade between 1994/95 and 2004/25, reaching a record of over 2 Mt. However, there then followed five seasons of decline, reducing output by half to just 900,000 tonnes in 2009/10, its lowest level since the 1966/67 season. The reduction was due to the fall in international prices, which was even more pronounced in the Franc Zone countries whose currencies are pegged to the euro by a fixed exchange rate. African production subsequently rebounded as prices recovered, reaching almost two million tonnes in 2021/22 before undergoing another collapse in the seasons that followed.

The distribution of African production between sub-regions and countries has undergone profound changes since the turn of the century. Egypt, the continent's leading cotton producer until 2004/05, fell to 9th place in 2023/24 and, as it remains the largest cotton consumer (accounting for 25 percent of industrial use in Africa), it has become a net importer. On the other hand, the Franc Zone has been the main driver of increased production on the continent because cotton farmers in the region benefit from a certain protection in the form of a guaranteed minimum purchase price before sowing, which is not the case in other African countries where producers are directly exposed to market price fluctuations when they come to sell. In 2023/24, the Franc Zone produced 65 percent of the continental total, compared to half in 2000/01, with the top five producing countries all located within the Zone.

White gold shines less brightly

Cotton prices are as volatile as they are unpredictable. The Covid-19 pandemic abruptly stifled demand for cotton and caused the Cotlook A Index to plummet from 80 cents per lb in January 2020 to 59 cents per lb on April 2, 2020, its lowest level since May 2009. Prices recovered quickly, rising back to 80 cents by the end of 2020, crossing the dollar threshold again in mid-September 2021, and peaking at 173 cents per pound on May 5, 2022. The price surge was largely disconnected from the actual supply-demand ratio and inventory levels. Instead, cotton was swept along with the surge in commodity prices, fuelled by the considerable volume of liquidity injected by central banks.

When it came, the fall in prices was as abrupt as the rise. Cotton fundamentals returned to the fore at the end of 2022. Since then, the main driver of cotton price fluctuations on the international market has been the relationship between supply and demand for US cotton. This is largely dependent on fluctuations in production in Texas, the main producing state, which is prone to drought.



Having followed the pattern of general inflation for many commodities, cotton then diverged from most of these, with prices falling back by the end of 2024 to roughly the level they were at five years earlier, before Covid. The annual average of the World Bank's agricultural commodity price index (base 100 in 2010) was 43 percent higher in 2022 than 2019, although cotton prices increased by 67 percent. However, the general index fell only nine percent in 2024 compared to 2022, while cotton's decline was 33 percent. In 2024, therefore, average agricultural prices were 38 percent higher than in 2019, while the gain for cotton was just 12 percent. Cotton cultivation has thus become less attractive than competing crops, including cereals and soybeans.

The fall in prices is likely to continue in 2025 in light of the trade war triggered by the US president. Moreover, this decline may be all the more painful for African producers as the dollar seems destined also to depreciate, reducing export revenues.

African production on a pathway to decline

In all African countries, the prices achieved by producers for seed cotton are linked, in one way or another, to the world market. Higher international prices since 2020 have allowed cotton companies to pay more remunerative and therefore more attractive prices.

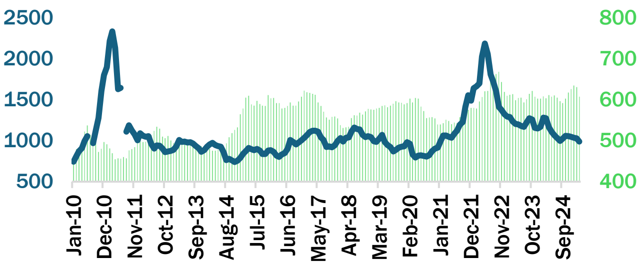
Since the beginning of 2021, FOB prices for cotton shipped from West African ports have generally been above 1,000 CFA francs per kilo, exceeding 2,000 CFA francs in the period from April to June 2022. This has increased the average seed cotton purchase price for the eight countries from 260 CFA francs/kg in 2020/21 to 320 CFA francs/kg in 2024/25. FOB prices fell back below 1,000 CFA francs in March 2025.

Budgetary constraints mean that supporting prices is ever more difficult, especially since all Franc Zone countries except Cameroon also provide heavy subsides for cotton cultivation. That being the case, the recent fall in prices is likely to force cotton companies to lower seed cotton purchase prices for 2025/26.

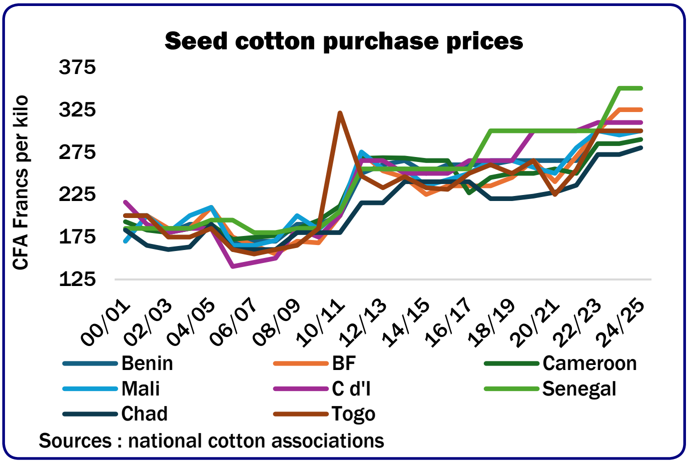
Since producers have no control over purchase prices, it makes sense for them to focus instead on yield, which they can influence. Nevertheless, a seed cotton purchase price below 300 CFA francs/kg risks being considered a "poor price," one that will effectively discourage many producers from sowing cotton, especially if they have a choice to divert land to other viable alternatives.

Meanwhile, the decline in production is likely to be even more pronounced in countries outside the Franc Zone, where farmer returns are directly linked to fibre prices, especially since markets for other crops are more active there.

Evolution of raw cotton selling prices
A Index average and FOB prices in FCFA per kilo



Source: ICAC, Cotton Outlook

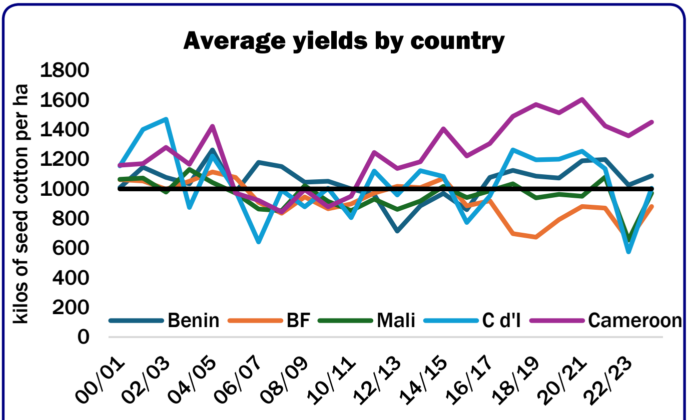


African cotton faces three major challenges

Like cotton from all origins, African output must compete with polyester fibre, which offers much better uniformity (a key feature prized by spinners), lower and above all less volatile prices. However, unlike its Brazilian and Australian competitors, which are grown on large farms and harvested by machine, African cotton suffers from a lack of uniformity and has a poor reputation for contamination, attributed to its hand-picked harvesting processes. Furthermore, the position of African cotton is weakened by its heavy dependence on one principal market – Bangladesh – which is threatened by severe tariffs from the US.

In the face of strong competition, African producer organisations must highlight the advantages of the continent's production model in terms of its low carbon footprint, the fact that

Photo 37528356 | African Cotton © Gillespaire | Dreamstime.com it is essentially rain-fed and cultivated with little mechanisation, and consumes few pesticides and chemical fertilizers. Hand-picking preserves the intrinsic qualities of the cotton fibre better than mechanical harvesting does. African cotton should distinguish itself from the BC model, since it is much more sustainable than most produced under that label.



Source: PR-PICA

In a context of depressed prices, it is imperative to increase yields in order to preserve producer incomes and maintain the competitiveness and the profitability of cotton production in Africa.

The average cotton yield in Africa (approximately 370 kilos of lint per hectare) is less than half the global average (770 kilos/ha). Primarily, this is because most of the crop is rainfed and uses fewer inputs, whereas elsewhere cotton is mostly irrigated. The average yield differential has widened since the early 2000s, undermining the competitiveness of African cotton production. In the Franc Zone, only Cameroon has managed to maintain the average yield level of 1.5 tonnes of seed cotton per hectare (equivalent to more than 600 kilos of lint), which was achieved in most countries in the early 1990s. The downward trend observed in other countries is worrying.

The main challenge to ensure the profitability of the various African cotton producing zones is to increase productivity while improving resilience to the effects of climate change. The necessary shift from extensive mass development to a more selective strategy should reduce the number of producers and restrict planted areas.

Finally, to reduce its dependence on international prices, Africa must address the challenge of increasing the share of its production that is processed locally.