



Cotton Outlook

AUGUST 2023



WORLD LONG STAPLE MARKET



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Long staple cotton in 2022/23



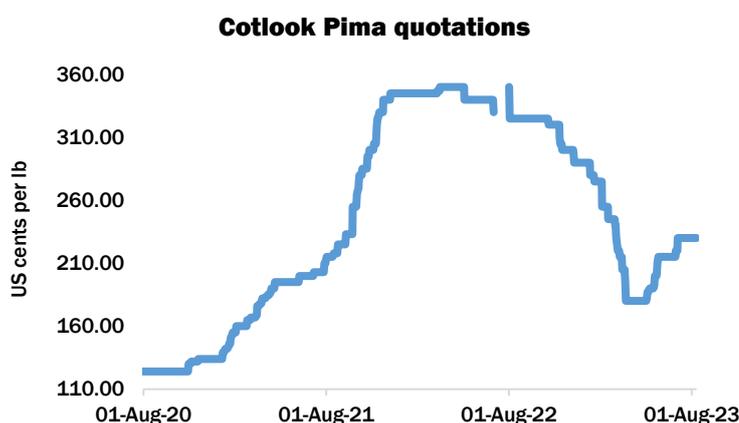
Antonia Prescott
*Deputy Editor
Cotton Outlook*

Prices collapse in response to subdued demand

By the close of the 2021/22 season, the extraordinary bull run for upland and long staple cotton prices observed between April 2020 and May 2022 had run its course and market observers were already contemplating a much softer price environment, especially for LS varieties, in the season ahead. The conjecture was that the prevailing inflationary influences, coupled with the interest rate rises implemented in an effort to temper them, would inevitably result in a squeeze on consumer spending and a fall in demand for non-essential goods. To a large extent, this has been borne out and prices for the major LS growths did indeed weaken in 2022/23 – although not in a completely uniform fashion, as we shall see.

Turning first of all to US Pima: following a rise to the highest ever value of 350 cents per lb in the middle of 2022, Cotlook’s Pima quotation fell progressively for the first eight months of 2022/23 to a low of 180 cents per

lb in early April. It subsequently stabilised and the tide turned in May, since when it has regained 50 cents in value to stand at the time of writing at 230 cents per lb.

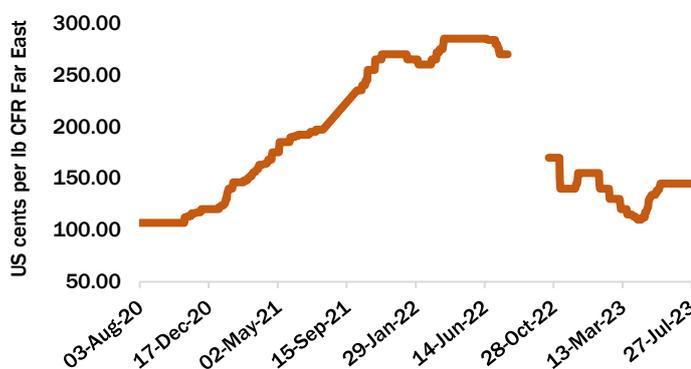


The turning point appears to have been achieved by an increase in demand for Pima that coincided with payments under the USDA ELS Competitiveness Program, which were triggered when the price for Egyptian Giza 94 (the principal competitor for US long staples in the global market) fell below the threshold of 120 cents per lb. The fact that the

distance between the quotations was so much larger than usual (at least 65 cents during the qualifying period) meant that payments under the terms of the programme were especially generous and many US shippers took the opportunity to offer special terms to purchasers, leading to a large increase in orders in April and May. Although the period in which the subsidy applied was relatively short, offtake from China and India in particular was sufficient to reduce merchants' positions substantially, prompting a steady upward retracement of offering rates

lower still (notwithstanding a moderate bump in January). The bottom of the decline was 111 cents per lb, reached in mid-April,

Cotlook Giza 94 quotation



Cotlook Long Staple Premium

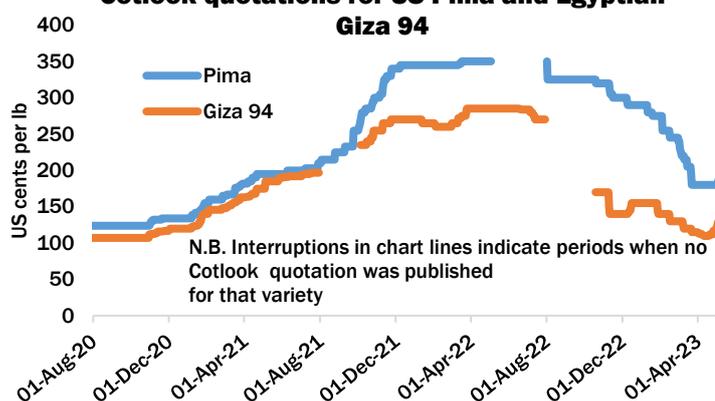


after which a moderate recovery (amounting to 34 cents in total) was observed.

At its widest, the gap between the two major competing LS growths was 170 cents per lb, the disparity explained with particular reference to the parlous state of the Egyptian economy in the past year to 18 months.

in the fourth quarter of the season. In terms of its relative value to upland cotton, Pima showed a wide variation over the course of the season: the Cotlook Long Staple Premium rose as high as 258 percent in November 2022 and collapsed to 83 percent in April (just below the long-term average of 86 percent) before changing direction again to end the season at around 140 percent.

Cotlook quotations for US Pima and Egyptian Giza 94



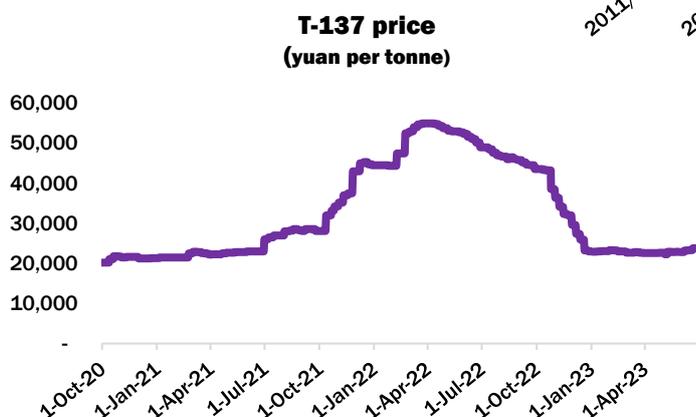
The dynamics at play in the Egyptian market also bear some scrutiny at this juncture. At the close of the 2021/22 season, Cotlook's quotation for Giza 94 was 270 cents per lb, having reached as high as 284 cents per lb in April to early June 2022. By the time the new crop quotation was introduced in October 2022, local market conditions were such that export prices had fallen by a dollar per lb, and then they proceeded to move

In addition to the inflationary pressures felt globally (which in Egypt prompted interest rates to rise to almost 20 percent and made securing new business all the more urgent), local traders managing both inward and outbound cotton shipments were often hampered by a shortage of US dollars with which to service import contracts and were therefore prepared to agree much lower

prices for Giza cotton simply in order to secure the necessary currency to meet their obligations.

Interestingly, though, some of those same factors were also held responsible for the reversal in prices when it came in early May 2022. Egyptian export offers began to rise as the dollar shortage and the disadvantageous exchange rate forced local spinners to turn their attention to domestic cotton rather than imports, absorbing much of the available supply. In addition, interest from India and Pakistan was reignited as buyers sought to capitalise on offering rates that were still attractive by historical comparison, even as they began to rise in earnest.

In China, LS prices have displayed the same weakness as in the US and Egypt but have been much slower to recover. On August 1, 2022, the benchmark Type 137 quality was quoted at 47,000 yuan per tonne, and continued to decline steadily until November, when the deflation became more rapid. The bottom of the market was noted in May 2023 (22,300 yuan per tonne), since when prices have plateaued and more recently have drifted only slightly upwards. At the close of the season Cotlook's quotation for T-137 was 24,500 yuan, still less than half of the value recorded 16 months earlier when prices for all LS varieties were at their peak.

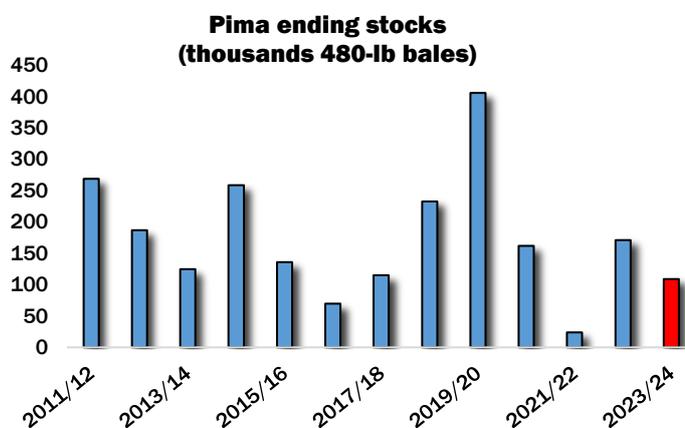


Trade

In August 2022, Pima ending stocks for the season that had just come to an end were calculated by USDA at a minimal 24,000 480-lb

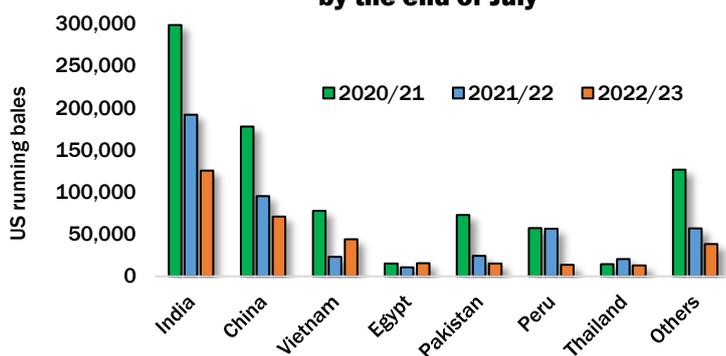
bales. At that point, no significant recovery of stocks was envisaged during the year ahead, as it was assumed that production and export sales would stay relatively balanced. In the event, though, the turmoil in the macro-economic environment has had a much greater impact on Pima sales than expected. While output eventually proved to be greater than was initially forecast, export sales fell by 30 percent in 2022/23 compared to the season before, leaving ending stocks at 171,000 bales.

In the season ahead, USDA currently foresees no great increase in offtake from international markets (the August 2023 WASDE report showed a total of 325,000 bales, compared to 317,000 in 2022/23). However, the current season's dreadful growing conditions, which we will rehearse below, mean that the Far West of the US is set to produce the smallest Pima crop for many years, with the result that ending stocks by July 2024 are expected to decline.



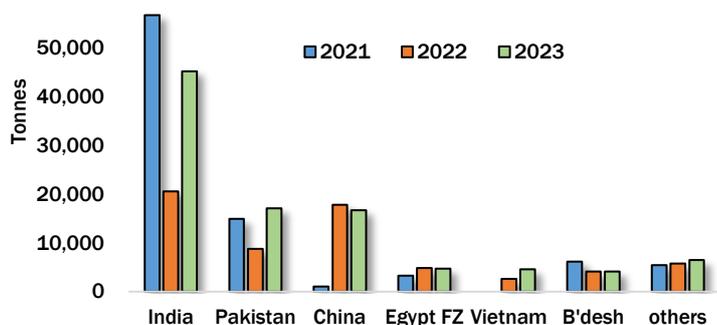
For a second successive season, Pima sales and shipments to the two principal markets of India and China declined in 2022/23 – the former by a third year on year to 125,800 bales (of which 106,700 were shipped by July 27) and the latter by a quarter (70,900, 69,500 shipped). Vietnam has almost doubled its purchases (admittedly from a much lower starting point) to stand in third position by the end of the marketing year. However, the declines reported for both Pakistan and Peru are noteworthy as well.

US Pima export registrations to major markets by the end of July



A different picture has emerged in Egypt, however, largely as a result of the distinct price advantage described above and also the greater availability from a crop that was ultimately estimated to be around 50 percent larger than the season before. Here, the marketing year runs from September to August, and by week 51 of 2022/23, a volume just short of 100,000 tonnes had been registered for export to various countries, with 89 percent shipped. That total is 57

Egyptian export registrations - main markets (by mid-August)



percent more than the figure recorded by Alcotexa at the same juncture in 2022. The principal market is once again India, which accounts for most of the overall increase, and is followed by Pakistan and China, the respective market shares being 46 percent, 17 and 17. Taken together, these three markets account for four fifths of Egyptian export registrations this season.

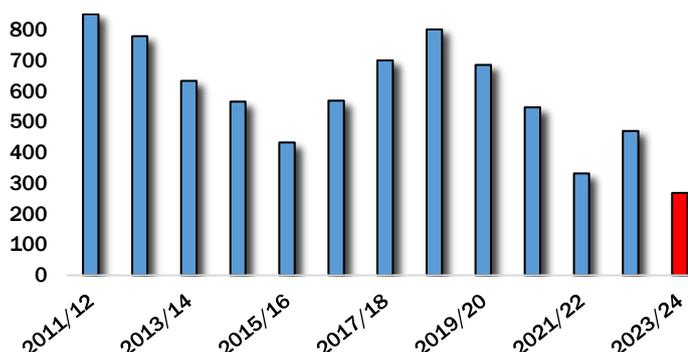
Outlook for 2023/24: production slashed, prices expected to ration available supply

The extraordinary prices seen in 2021/22 were largely responsible for the much greater numbers of farmers opting to plant long staple varieties across the major producing centres in 2022/23, which resulted in a short-lived reversal of the longer term trend of declining cultivation of these styles. Very regrettably, though, this enthusiasm has not been rewarded with anything like

the returns that were expected, since prices tumbled as the increased availability was met with indifference from buyers whose own downstream orders were much reduced. This appears to be the case particularly in China, and the result is that planting for the 2023/24 season LS crop in Xinjiang is reduced by about 65 percent.

Additional pressures have been brought to bear in California, where a period of very wet weather over the winter and early spring flooded large tracts of land typically dedicated to Pima planting. Harvested area for 2023/24 is forecast at 106,000 acres, down 40 percent from last season. At the same time, the late start to the planting campaign has compromised yield to a more modest extent: output per acre is projected at 1,216 lbs, five percent lower than in 2022/23. Overall, the Department envisages a 43-percent reduction in

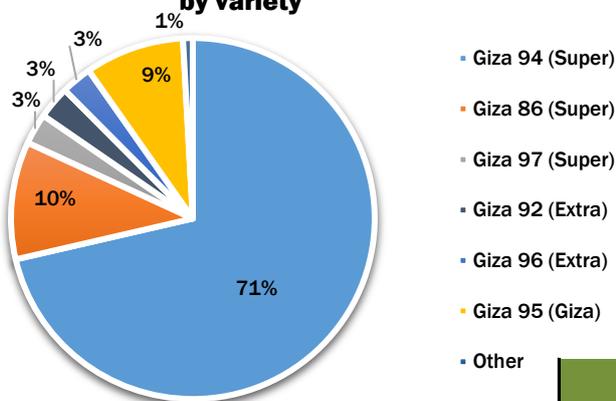
Pima production (thous 480 lb bales)



output this year to 268,000 bales, the lowest figure for many seasons.

The same sentiment of disappointment is palpable in reports from Egypt, where farmers are understood to have diverted land away from cotton production, towards cereal crops and even vegetables, prices for which have increased in robust fashion over the past 18 months. Catgo’s estimate of the area planted to cotton is treated with some caution by market observers: officially, the figure is 254,933 feddan (just over 107,000 hectares), 23 percent lower than the intended area and 24 percent down on last season. However, commentators within Egypt suggest that the reported figures are too high, and that the real area will prove to be no more than 200,000 feddan (around two fifths smaller than last year). Final figures from the 2022/23 crop indicate that total LS production amounted to 101,460 tonnes, and ELS to 6,787 tonnes.

Egyptian 2022/23 final output by variety



Finally, in Israel, last season’s three-fold improvement on the year before seems set to be maintained. Early estimates of output from the 2023/24 crop place the total at slightly less than 16,000 tonnes, say 15,750.

Taken in aggregate, the downward shifts in output for the major long staple producers seem likely to result in a total LS/ELS crop of 277,750 tonnes, down by a

World LS Output (tonnes)			
	2021/22	2022/23	2023/24
Egypt	70,000	106,500	64,000
United States	72,300	102,300	65,000
India	70,000	75,000	75,000
China	40,000	85,000	32,000
Israel	4,900	16,000	15,750
Turkmenistan	20,000	15,000	15,000
Uzbekistan	4,000	4,000	4,000
Peru	4,000	4,000	4,000
Tajikistan	1,000	1,000	1,000
Spain	1,500	1,500	1,000
Greece	2,500	1,000	1,000
Sudan	-	-	-
Total	290,200	411,300	277,750

third on 2022/23, for which final results were slightly higher than were envisaged earlier in the year at a little over 410,000.

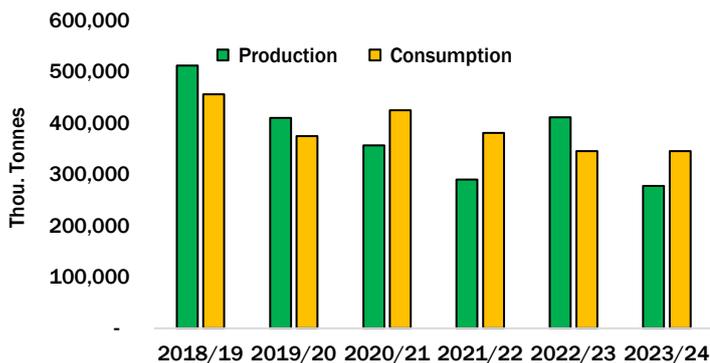
Meanwhile, assuming a carryover somewhere in the region of 65,000 tonnes allows for an available supply this season of no more than perhaps 345,000 tonnes, almost exactly in line with the revised estimate for consumption in 2022/23. Now, in the upland arena, global use is currently predicted to increase moderately as (it is presumed, or perhaps just hoped) that global trading conditions will improve in the next three to six months. However, if the same dynamic materialises for long staple demand, it is already clear that the available supply from the 2023/24 crop will not be sufficient to cover the requirements.

World LS Consumption (tonnes)			
	2021/22	2022/23	2023/24
India	155,000	138,000	135,000
China	120,000	110,000	120,000
Pakistan	21,500	22,000	17,000
Egypt	12,000	15,000	17,000
United States	3,000	1,800	2,000
Bangladesh	9,000	4,000	3,000
Latin America	18,000	10,000	10,000
Europe (inc. Turkey)	16,000	10,000	10,000
South East Asia	12,000	18,000	15,000
CIS	12,000	15,000	15,000
Others	2,500	1,500	1,300
Total	381,000	345,300	345,300

In that scenario, prices would surely rise as the market corrected itself and served to ration the prevailing demand. On the other hand, the recovery on which this hypothesis is predicated is by no means certain. While the talk is of a softer landing for the US economy, the Eurozone still teeters on the edge of recession. Meanwhile, deflation, a burst property bubble and youth unemployment in China are among the influences that may well keep the brakes on that powerhouse economy on which so much typically depends, in the long staple cotton sector no less than anywhere else in the global marketplace.

Nevertheless, at this early stage in the 2023/24 season, our tentative projections

Long staple production and consumption



of world supply and demand for long staples indicate a drawing down of the surplus stocks produced in 2022/23, while an expansion in consumption for any one country will probably come at the expense of another and will be dependent on mills being able and prepared to pay the resulting prices.

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The view from California – Pima production and demand in 2023



Jeff Elder
Director of Marketing
Allbright Cotton

My comments on the current Pima market are a continuation of the topics discussed in this publication over the past three years: production problems due to adverse weather; uneven demand; volatility of prices; macro events including tariffs, currency fluctuations, and uncertain economic prospects. In short, the more things change, the more they stay the same.

Demand

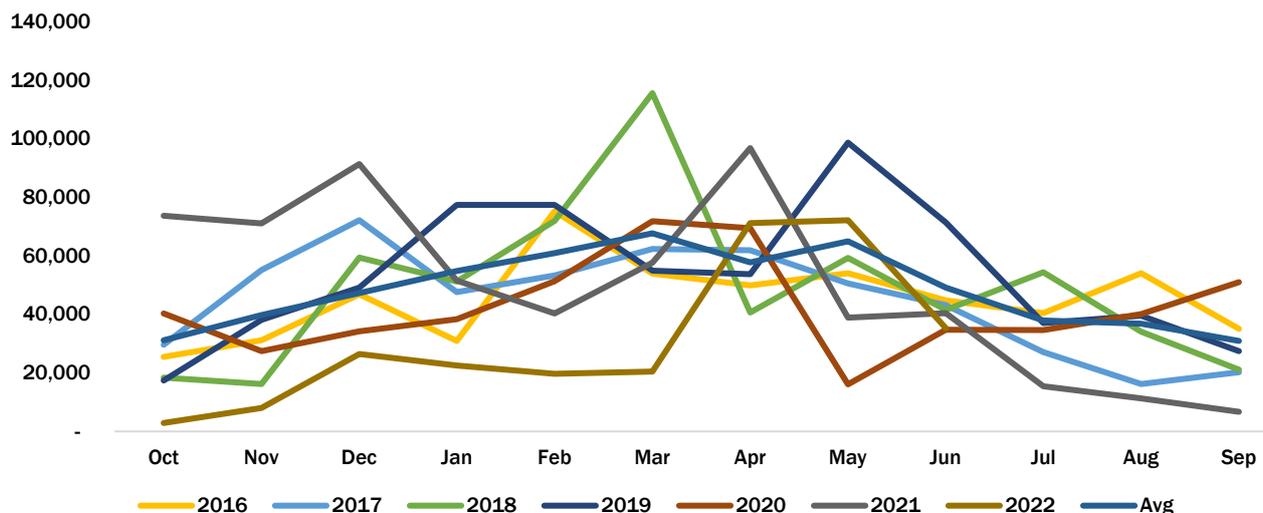
The defining feature of the market for the past year has been a lack of any sustained demand. It is reminiscent of the market following the 2008 financial crisis and in the immediate wake of the 2020 Covid crisis. However, this time the downturn has lasted longer and been more pronounced than on those previous occasions.

It has been a constant in Pima marketing that demand often comes in waves. Periods of low demand tend to be followed by enquiries coming from every market. Most discussions with our mill customers will focus on prices as the culprit. That said, from January 2021 through January 2022, Pima prices rose from \$1.24 per lb to an all-time high of \$3.55 lb, while demand remained steady for most of the move. But from May 2022 through February 2023, prices dropped by close to 50 percent, down to \$1.80 per lb, with no increase in purchasing during the fall. This

lag in demand has been unprecedented, with average monthly sales at only 8,000 bales. To put this in perspective, commitments at the time of writing this article are over 100,000 bales below the lowest point for this date in the past seven years and over 300,000 bales below the seven-year average.

So, demand has been a little bit of a mystery. It has been well discussed and reported that brands and retailers were in an overstocked position a year ago. Uncertainty in the supply chain along with better than expected sales as the world moved out of Covid lockdowns caused many retailers to place orders through multiple channels to ensure timely delivery. But the reality was that even with these precautions, shipping delays caused orders to arrive well beyond their seasonal windows: spring collection, fall/back to school, winter/holidays. This resulted in a glut of product that needed to be sold. The current lackluster economic conditions have made this even more of a challenge. We do believe, though, that most of the excess stocks have been sold, and now the big concern among brands and retailers is to not repeat the error and instead to ensure they maintain smaller inventories of goods in the supply chain. This conjecture has been reinforced by the fact that almost all sales for the past six months have been for nearby shipment. Moreover, the current unshipped sales figure

Monthly Pima shipments



of less than 30,000 bales indicates that very little forward coverage has been booked by our customers, who are still waiting for orders from their customers.

The lull in demand finally broke in April of this year. Much of the credit for this improvement can be attributed to the subsidy provided via the ELS Competitiveness Payment program laid out in the Farm Bill. While prices in and of themselves may not drive demand, our competitiveness in respect of alternative growths will certainly affect it. This program protects Pima cotton from overly cheap foreign ELS varieties, principally from Egypt. The value of the Egyptian pound has dropped by over 50 percent this year, which helped push prices in that country below the threshold of \$1.20 per lb needed to trigger the subsidy and ultimately as low as \$1.07 per lb. Egyptian cotton was taking market share from Pima, particularly in the important Chinese market. For a payment to be made under the program requires both a sale and an actual vessel shipment, and the subsidy can be de-triggered with just a week’s notice, which limits its effectiveness. However, this spring the mechanism did allow Pima prices to drop to a competitive level without having an excessive impact on grower prices, which is the purpose of the program. This motivated buyers to make purchasing decisions quickly and extend some coverage. We are now

seeing prices move higher again, which is a trend that I believe will stay with us for some time. It’s a true feature of stocks, commodities and real estate that few buy in a falling market and most buy in a rising market.

Weather

A year ago, California was mired in a severe drought that limited any increase in Pima cotton acreage in the state despite record prices to growers. The usual experts predicted that it would take multiple years for California to see any meaningful relief and return to normal water allocations. As has too often been the case, however, the experts have been proven wrong by Mother Nature. A series of atmospheric rivers slammed the west coast in the early part of the year, dropping 200-300 percent of the normal levels of rainfall and snow on California. The intensity of the storms caused rivers to overflow and farmland to flood. This continued even after the rains had ceased, as warmer weather caused the record snowpack to melt, filling both reservoirs and rivers.

It is estimated that the total farmland flooded has exceeded 178 square miles. This flooded ground includes an important Pima growing area that will be completely lost to production this season and might impact some acreage for next season as well. The wet weather in the spring also delayed the

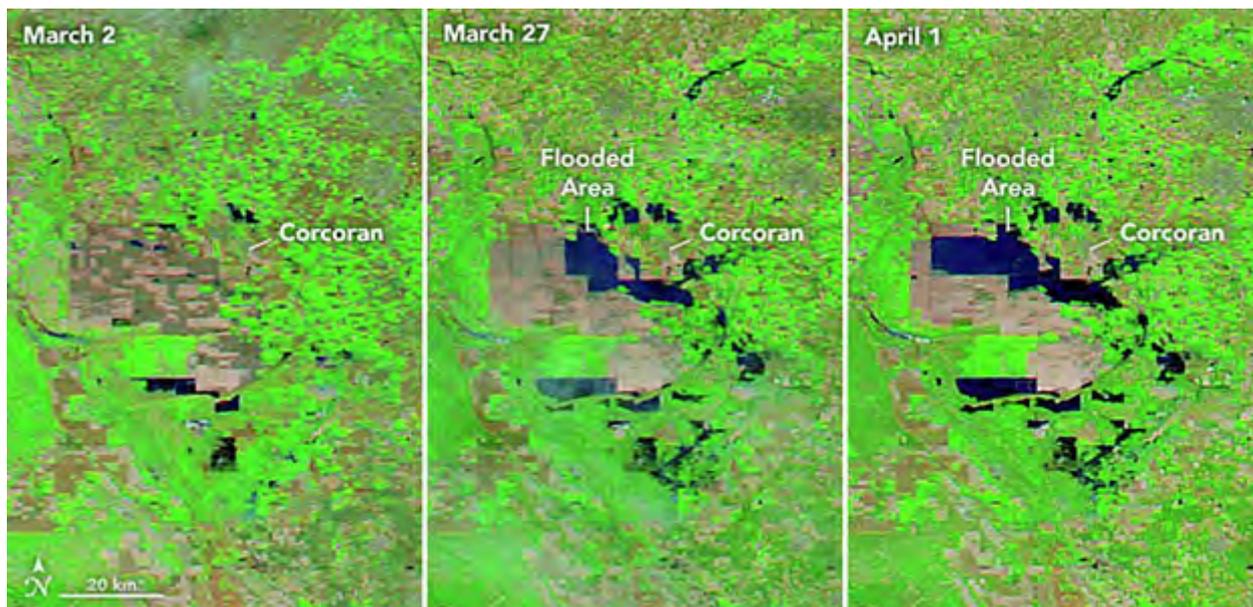
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planting of most of California’s crop by four to six weeks. It will take exceptional weather this summer to allow the cotton plants to make up for lost time and provide an average yield.

This is also the first time in decades that over 35 percent of the planted acreage will come from outside the state of California. Much of this ground will be susceptible to potential flooding and hail damage up until harvest time.

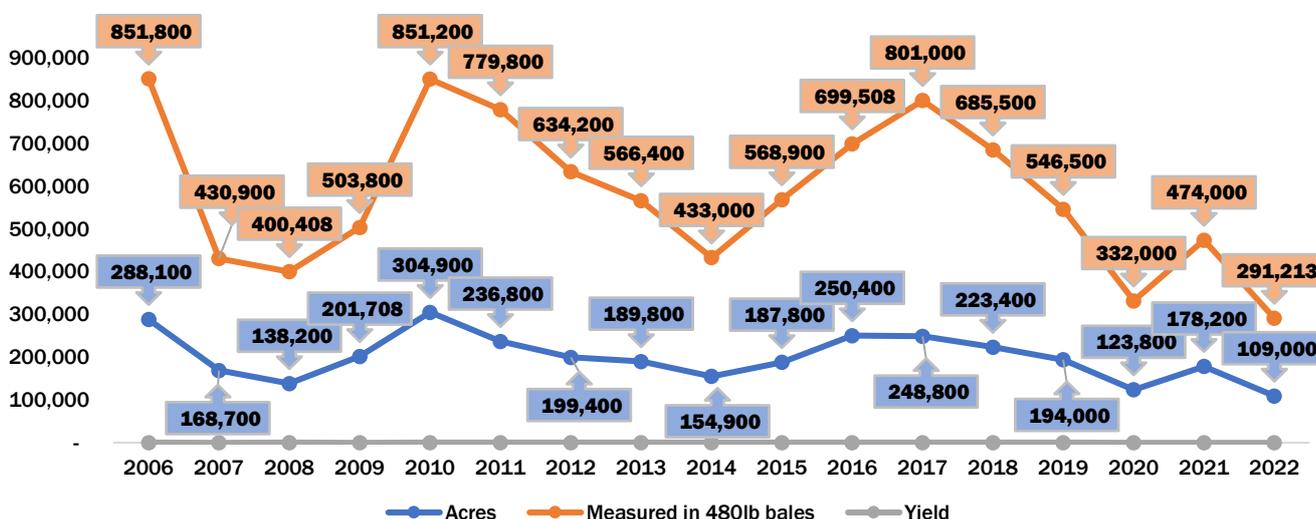


Production

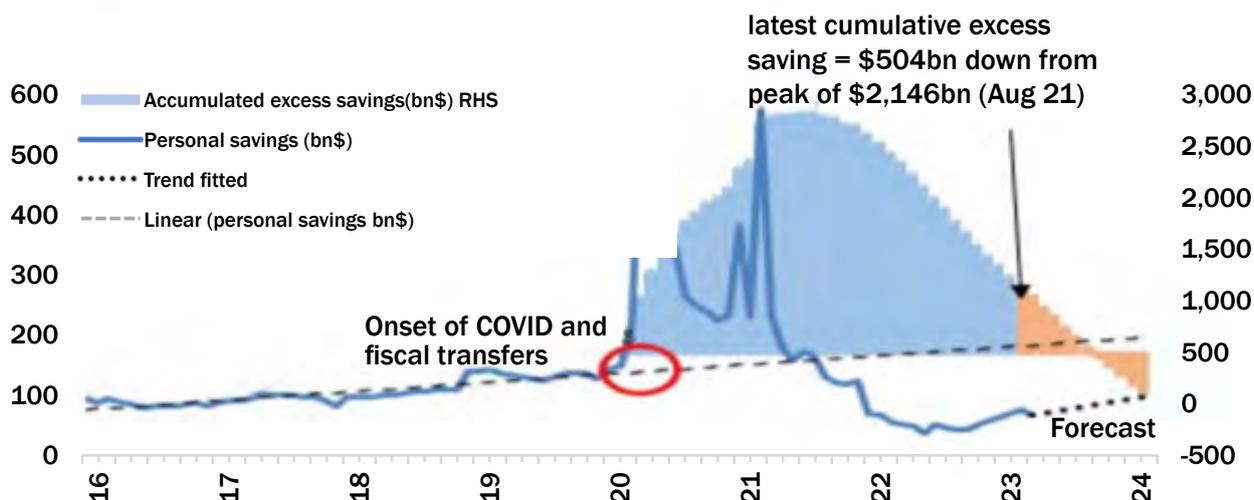
As discussed above, production of Pima cotton has been determined more by

weather than market prices. As seen in the accompanying chart, the years 2017 through 2019 saw an average production of 729,000 bales with a high of over 800,000 bales. The

Historical pima acreage to production comparison



Household accumulated excess savings likely gone by Oct 23



subsequent three years, 2020 through 2022, have seen the average production fall to less than 450,000 bales with the high point being 2020 with 547,000 bales. This year’s USDA acreage figures, published on June 30, showed a stunning 109,000 acres for Pima, the lowest area in decades. Based on five-year average yields, this places 2023 production at 300,000 bales, also a historical, decades-long low. Pima area in California is 70,000 acres, the lowest for the state in 30 years. Given the lateness of the crop in California and the fact that more acreage is located in the lower yielding states, even a final crop of 300,000 bales seems optimistic.

The weather in California has not only reduced the acreage dedicated to Pima, it has created a shortage in other crops grown primarily in California that compete for cotton acreage. As an example, grower prices for processed tomatoes (often grown as an alternative to Pima) have risen by more than 40 percent. In fact, even with the poor weather and flooding, tomato acreage has grown by 29 percent this year. The cost of producing Pima cotton in California has risen dramatically in the past few years, with most Pima farmers reporting growing costs in excess of \$2.00 per lb. The availability of ELS cotton this year makes it all the more

US Department of Agriculture
US ELS Estimates ('000 480-lb bales) 7/12/2023

2013/14 2014/15 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24

ELS cotton:

Planted acres	201	192	159	195	253	250	229	202	127	182	109
Harvested acres	199	190	155	188	250	249	223	194	124	176	107
Yield/harvested acres	1,527	1,432	1,342	1,454	1,341	1,545	1,473	1,352	1,287	1,280	1,348
Beinning stocks	187	125	259	136	64	103	214	382	130	24	148
Production	634	566	433	569	700	801	686	547	332	470	291
Imports	7	3	3	2	2	3	3	1	5	5	5
Total supply	828	694	695	707	766	907	903	930	467	496	453
Domestic mill use	23	25	25	29	27	22	15	15	15	8	10
Exports	680	410	534	614	636	671	506	785	440	340	350
Total disappearance	703	435	559	443	663	693	521	800	455	348	260
Difference unacc.	-	-	-	-	-	-	-	-	-	-	-
Ending stocks	125	259	136	64	103	214	382	130	12	148	93
S/U's	18%	60%	24%	10%	15%	31%	73%	16%	3%	43%	26%

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important for retailers to differentiate their product lines and offer different price points for higher quality products. The fact that the three main ELS/LS producing countries, the US, China and Egypt, are reporting acreage to be down by 30 to 40 percent does not bode well for ample supplies of this special cotton next year.

Macro-economic influences

The biggest outside influence on our market remains the fear of a worldwide recession brought on by high inflation and a lowering in the discretionary spending power of consumers. While textile companies need to be forward thinking due to the lead times required to get products from cotton fields

to store shelves, there aren't many economic indicators that show better times ahead for next year. Therefore, we see a hesitation to place orders.

In summary, the two main features of the market right now are lower production, brought about by poor weather and uncompetitive prices at planting time, and lower demand due to adverse economic factors. In the past, long stretches of poor demand have resulted in a flood of orders the next season, leading to volatile price movements. For the sake of the industry, my hope is that the trade in ELS cotton, and Pima cotton in particular, can return to a level that brings profits back to both growers and manufacturers.



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Rasha Fahim
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The Egyptian textile industry has a rich heritage, dating back to ancient times. With such a long history of manufacturing, Egypt has gained a considerable expertise across the entire value chain. Today, the textile industry plays a vital role in the country's economy: it is the second-largest industrial sector and accounts for 34 percent of total industrial output. Furthermore, it contributes four percent to the country's GDP and almost 12 percent of revenue from non-petroleum exports, providing employment to nearly 2.5 million workers (23 percent of the country's industrial labor force) as well as creating numerous associated job opportunities.

Over the past few decades, Egypt has experienced a significant influx of private sector investments, with the textile industry being a particularly promising area that has garnered both domestic and foreign direct investments. As per the latest economic census conducted by the Central Agency for Public Mobilization and Statistics (CAPMAS), there are approximately 32,000 registered companies operating within the textile and clothing sectors, including traders, manufacturers, exporters and other related

businesses. Nearly 99 percent of these companies are privately owned, with 67 percent small and micro businesses, 17 percent medium and 16 percent classified as large. The majority are located in the governorates of Cairo, Gharbia and Qalyubia.

In respect of foreign direct investments (FDIs), the 2021 report from the General Authority for Investment and Free Zones (GAFI) revealed that the textile sector in Egypt attracted foreign direct investments (FDIs) totaling E£14.3 billion between 2016 and 2021, with participation from over 5,500 companies. The report highlights that Arab and foreign investors accounted for 42 percent of the total FDI, which was mainly received from Turkey, Syria, Italy, as well some other countries.

A closer look at the upstream end of the Egyptian textile industry

The Egyptian textile industry takes pride in possessing and producing the world's highest quality cotton, often referred to as "White Gold." This has enabled the industry to create a fully integrated value chain that covers the entire process from cotton cultivation to

finished goods. However, it is worth noting that production capacity can vary depending on both the manufacturing process and the material type used.

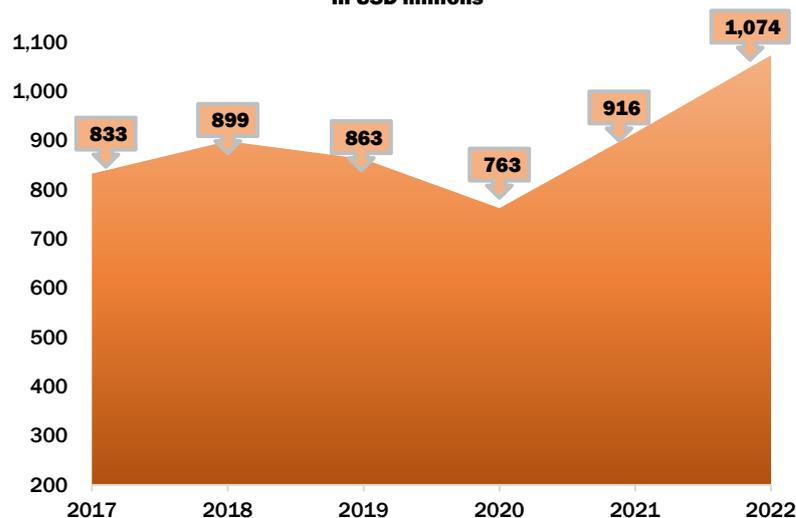
The upstream textile sector in Egypt uses both natural and synthetic fibres to produce yarns, woven and knitted fabrics, and carries out dyeing, printing, finishing and non-woven processes. These are essential raw materials for a wide range of industrial applications, including ready-made garments, home textiles, furniture, medical and healthcare products, building materials, automotive and agricultural textiles, as well as packaging, decks, tents, overlays and more.

Based on the latest economic census conducted by CAPMAS, the upstream textiles sector in Egypt is composed approximately of 9,000 registered companies, which collectively employ about 227,000 workers and account for seven percent of the total manufacturing workforce.

According to THTEC data from 2022, upstream textile sector exports amounted to US\$1.074 billion, which made up five percent of the country's non-petroleum total export revenue. These exports were directed towards more than 95 markets across the globe. However, the main exports markets sourcing Egyptian textile materials were: Turkey, Italy, Germany, Poland, Spain, Romania, Czech Republic, Algeria, Tunisia, Morocco, Jordan, Saudi Arabia, Syria, China, and Nigeria. In terms of FDIs, the upstream textiles sector witnessed a total of E£9 billion in investments over the five-year period from 2016 to 2021, with the involvement of over 1,900 companies.

Egypt's reputation as a primary and distinctive origin of cotton and premium cotton goods has been well established. Nevertheless, the country has also made

**The Egyptian upstream sector export flow
in USD millions**



significant strides in the export of synthetic fibre products. As of 2022, the main exports of Egyptian textiles were as follows: woven fabrics from synthetic fibers (which achieved the highest value of US\$258 million and a growth rate of 50 percent), followed by denim fabrics at US\$167 million (growth of 13 percent), cotton yarns at US\$166 million (22 percent), yarns from synthetic fibers such as polyester and acrylic at US\$133 million, and non-woven textiles at US\$89.5 million.

Overhaul your sourcing strategy: why Egypt's textiles industry is the right choice!

Without a doubt, Egypt's strategic geographical location positions the country as an optimal hub for international trade, particularly with major global markets such as the European Union and the US. Furthermore, Egypt boasts a unique set of advantages that collectively make it the ideal destination for sourcing the finest textiles products and for investment as well. These include:

- **Energy sources:** Egypt possesses a diverse array of energy sources, with reliable supply offered at fixed and reasonable prices. This advantage makes Egypt an enticing investment prospect for textile ventures, as the availability and price of energy are key

determinants of production costs and operational stability. Notably, Egypt presents a competitive price point for gas, fuel, electricity, and water when compared to other manufacturing nations.

- **Infrastructure:** Egypt boasts a well-established infrastructure, featuring a robust road network spanning approximately 65,000 kilometers and is ranked in the top 30 countries worldwide for road quality. Additionally, the country has a railway network exceeding 10,000 kilometers, 27 airports, and 15 commercial sea and river ports with a combined capacity of nearly 150 million tonnes per year. Moreover, the air cargo terminals have a remarkable storage capacity of almost 120,500 tonnes.
- **Skilled and cost-effective labour force:** The textile industry's significant share of 23 percent of the industrial workforce provides it with a substantial labour force, bolstered by technical and vocational education and training (TVET) programmes that produce skilled personnel. Furthermore, the country's national minimum wage of E£3,000 (equivalent to \$121) ensures that the workforce receives adequate compensation and provides cost-effective labour for the factories as well.
- **Optimal nearshoring destination:** Due to its fully integrated value chain, favourable trade agreements, strong and developed infrastructure, longstanding expertise in textile manufacturing, and strategic geographical proximity to Europe, Asia, Africa and the Middle East, Egypt has garnered increasing interest from international buyers and fashion brands seeking a reliable textile sourcing and investment hub. It is possible for shipments originating from Egypt to be

delivered to Turkey in approximately five to seven days, Europe within six to eight days, the MENA region within one to four days, other African countries within seven to 18 days, and Asia and the USA within 12 to 20 days. Given the fast-fashion business model and the significance of lead and delivery times in sourcing decisions, Egypt's advantageous location and efficient logistics capabilities make it an attractive option for companies seeking to optimize their supply chain operations.

- **An exclusive assortment of trade agreements:** For decades, Egypt has benefited from a range of free and preferential trade agreements that have had a positive impact on the country's international trade and have attracted foreign direct investment to its promising market. Currently, Egypt is a member of several trade agreements, both bilateral and multilateral, including:
 1. The European Union-Egypt Association Agreement, in place since 2004, provides Egypt with tariff-free access to 27 EU countries.
 2. The Qualified Industrial Zones (QIZ) Protocol, in effect since 2004, allows for duty-free access to the US market.
 3. The MERCOSUR Agreement, implemented in 2017, gradually reduces tariffs for trade between Egypt, Brazil, Argentina, Paraguay and Uruguay.
 4. The Egypt-Turkey Free Trade Agreement, established in 2005, provides duty-free access to the Turkish market.
 5. The Agadir Free Trade Agreement, signed in 2006, created a free trade area between Egypt, Tunisia, Morocco, and Jordan.

6. The Common Market for Eastern and Southern Africa (COMESA), established in 2000, provides duty-free access to 18 African markets.
7. The European Free Trade Agreement, 2007, provides zero-tariff access to Iceland, Liechtenstein, Norway and Switzerland.

In addition, Egypt is also a member country of two other trade agreements more focused on Africa content:

8. The African Continental Free Trade Area (AfCFTA), which includes 45 countries across the entire African continent.
9. The Greater Arab Free Trade Agreement (GAFTA), which includes 18 countries in western Asia and North Africa.

Egypt THTEC: your gateway to the Egyptian textiles market

Egypt Textiles and Home Textiles Export Council (THTEC) is a PPP organization established in 1997 by the Ministry of Trade and Industry. Over the years, THTEC has fostered strong relationships with influential textiles exporters and stakeholders, and functions as a supportive body that offers a wide range of services. These services include generating business leads, promoting the capabilities of the textiles sector on a global level, producing export reports and analysis, providing training services and enhancing the local business environment. THTEC also engages in policy advocacy, lobbying for the welfare of the textile sector and representing it at the national and global levels.

THTEC stands as a prominent gateway facilitating access to and allowing organisations to explore the Egyptian textiles market, offering reliable partnerships to establish robust and enduring business relationships.



Egyptian cotton – from Egypt to the world with love



*Dr Ahmed AbdelGawad
CEO and Managing Director
Egyptian Cotton Hub*

Egypt is home to the only fully vertically integrated textiles industry in the Middle East, with the entire production process from the cultivation of cotton to the production of yarns, fabrics, and ready-made garments carried out domestically. The sector plays an extremely central role in the Egyptian economy.

Capitalising on the rich legacy of the Egyptian textiles industry, in 2017 the government approved an ambitious plan to modernise the textiles sector and a development project was launched to increase demand from the international market. However, we also aim to meet local demand for home textile and clothing products. The new facilities will be equipped with state-of-the-art machinery and highly efficient production systems. Upon completion, the daily production capacity will be 250 tonnes of yarn, of which a quarter will be fine and super fine yarn, 350,000 square metres of bed sheet fabric, 40 tonnes of circular knitted fabric, 45 tonnes of terry towelling fabric, 90,000 square metres of denim, 45,000 square metres of shirting fabric and 50,000 metres of base fabric suitable for dyeing, finishing and printing.

The first facility is going live in summer 2023, in Mahalla. It will produce 13.5 tonnes per day of super fine yarn made purely from the famous Egyptian cotton. The next stages of the

project will follow, and the targeted date for completion is the end of 2024, by which time all the aforementioned capacities will be offered in a full vertically integrated manner.

The Egyptian Cotton Hub (ECH) was founded in July 2021 as part of the development project. Its purpose is to improve and develop marketing campaigns for use in the global marketplace that reflect the huge investments that have been made in the spinning and weaving industry in recent years. The ultimate aim is to revive the Egyptian cotton industry and help it retake a leading role in the world market.

In early 2023, I was privileged to take over as head of ECH, bringing over 30 years of experience in the local and international markets across various industries. My first priority was to reorganize the systems in place, to gear the organisation up to be able to confront the challenges of the new era, bringing on board top-notch talent from various sectors. With the structure now almost complete, my team and I are very excited and looking forward to achieving the right return on investment, adding great value to the country's economy.

ECH has developed an extensive marketing strategy that involves identifying potential markets and highlighting the production

capacities of the new factories and their state-of-the-art technology. We are particularly focused on targeting new customer segments in international markets. We are also aiming to establish partnerships within the private sector in the local market by providing them with the necessary raw materials. We believe that the private sector is more dynamic and better geared to meet the needs of fashion and ready-made garment buyers, especially given the extreme volatility we are witnessing in the availability and price of raw materials. This will help promote import substitution and contribute to reducing the country's trade deficit. We have developed different business models to widen our global market reach and ensure that we see Egyptian cotton in use all over the world once again.

Additionally, we have successfully introduced two new brands: 'Nit', which is the premium brand, and 'Mehalla' which represents the value option. These brands showcase a wide range of Egyptian cotton products, including home textiles and apparel.

The 'Nit' brand will introduce world-class, direct-to-consumer channels that promote high-quality Egyptian cotton products with premium international designs and outstanding customer experience. This marks a historic milestone in Egypt's ambitious plan to modernise the national textile sector, with 'Nit' being the first of its kind in the public business sector, while the 'Mehalla' brand name is a revamp of the well-known 'Gazel of Mehalla' brand, established in 1927.

In June 2023, ECH marked an unprecedented milestone by opening 'Nit' shops in Dubai and Abu Dhabi in the United Arab Emirates. Today, we are proudly announcing that the public business sector and ECH have confidently made their first solid step towards globalism.

The "polycrisis" facing the world cannot go unmentioned. The pressure on the world economy, resulting from inflation, climate change, the Russian-Ukrainian war, supply chain disruption, unfavourable trade policies and the recovery from the COVID-19 pandemic, has magnified the challenges facing

the textiles sector. At ECH, we have formed a crisis management team to monitor the market and react quickly and appropriately by adjusting our strategy and tactics to mitigate potential risks.

Sustainability is another issue on the radar of ECH. The textile industry is the world's second most polluting industry, after oil. Due to Egypt's exceptional geographic location in the centre of the world, it is conveniently placed to service various markets, particularly the closest ones in the EU and GCC (Gulf Cooperation Countries), offering shorter shipping times and lower carbon emissions. Also, the new machinery that will be installed as part of the Egyptian textiles mega renovation project will apply new technologies that use less water and energy. These include pad batch dyeing, heat-recovery systems and zero-liquid discharge (ZLD) systems. Furthermore, a smaller carbon footprint is planned for the industry as a whole. Eco-friendly nitrogen technology will be implemented, and solar thermal systems are in the feasibility study phase. Also, we are aiming for less solid waste: automatic dosing units for chemicals and plastic drums will be disposed as hazardous waste, while plastic bags and cardboard boxes and cartons will be recycled.

The main objective of ECH will be to introduce eco-friendly and sustainable products as part of the local collections sold in our own shops as well as the export collections offered to international clients. These will include products made from recycled yarns and/or natural dyestuffs. This project will serve as a model for the Egyptian textile sector.

Last but not least, we are in the process of completing various textiles sustainability certifications to overcome international trade barriers, mitigate the impact of economic instability and changes in regulation, integrate resource efficiency and reduce material consumption.

Finally, we anticipate that with the success of this project, ECH will serve as a precedent for the Egyptian textile sector, eventually becoming a role model for others to follow.

Ginning of extra-long staple cotton



Mr Lav Bajaj
*Business Director,
Bajaj Steel Industries Ltd.*

Introduction

Extra-long staple cotton (also known as ELS or extra fine cotton) is a high value, premium commodity with a reputation for superior quality and better spinnability. For our purposes in this article, ELS cotton has a staple length of 34 to 40 mm or 1-3/8" to 1-9/16" and is normally used for spinning yarns with counts from the 80s to 140s. (N.B. Staple length is usually measured using cotton testing equipment, such as HVI/ART2 for 2.5% span length, meaning that at least 2.5 percent of the fibres exceed the stated length. Also note that spinning count does not solely depend on staple length. It also depends on fineness and processing parameters.)

Ginning is the process by which the cotton fibre is separated from the cottonseed. Nowadays, ginning factories have to manage several processes such as unloading, cleaning, conveying, moisture control, separation of fibre and seed, packing etc. to make the cotton crop usable for spinning or further processing.

There are four ginning technologies: single roller gins, double roller gins, rotary knife roller gins (Rotobar gins) and saw gins, used for different varieties of seed cotton. Each ginning technology has distinct advantages and disadvantages in respect of the different

varieties, hence the most suitable technology for a particular variety is selected and used to obtain optimum fibre parameters. Bajaj Steel Industries Limited, India, is the only company in the world manufacturing machinery for all the four ginning technologies under one roof and is the largest ginning machinery manufacturer in the world. Out of the four ginning technologies listed, rotary knife roller gins (Rotobar) are the most suitable for ginning extra-long cotton, such as Pima and Egyptian Giza varieties. We will now discuss the features of different ginning machinery.

Brief introduction to each type of ginning

Single roller gins: These gins are based on the McCarthy principle and are suitable for medium, long and extra-long cotton varieties. However, the capacity of single roller gins is very low (producing about 40 kilos of lint per hour). It is also a labour-intensive and outdated technology, which requires a high level of maintenance and doesn't allow for easy cleaning, which affects the quality parameters of the cotton produced and reduces its value.

Double roller gins: These gins are an improved version of the single roller gins, initially built by German machine manufacturers. These gins are used

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extensively in India, East Africa, Myanmar and Bangladesh for the ginning of medium and long staple cottons. These machines have almost double the ginning capacity of single roller gins (about 80 kilos lint per hour).

Saw gins: There are two types of saw gins - air blast types and brush-doffing types. These days, brush-doffing saw gins are used for short and medium staple cotton. These are high-capacity, high-speed gins, however they are not suitable for long and extra-long cotton as they result in the shortening of the staple to a certain extent. Moreover, this technology generates the highest incidence of entanglement (neps).

Rotary knife roller gins (Rotobar): These gins are the latest versions of machines developed by US manufacturers for use in ginning long and extra-long varieties of cotton, including Pima in the southwest of the United States. This technology is most suitable for black-seeded long and extra-long varieties, however, if the cotton is a fuzzy-seeded or upland variety, with lower length or ginning outturn, the ginning capacity is reduced to almost half of that achieved with extra-long staple black-seeded varieties.

Factors affecting the ginned output

The following factors have an impact on the ginning quantity and quality.

Ginning outturn (GOT): There are hundreds of varieties of cotton in the world, which all have a different percentage of fibre on the seed. The normal range for average clean cotton with other standard parameters is 30 to 45 percent, i.e. from 100 kilos of seed cotton you may get 30-45 kilos of fibre and the balance will be cotton seed.

Trash percentage: If the trash percentage in the seed cotton is high, it will have to be cleaned before it is fed into the gin, hence the ratio of fibre output will vary according to the trash contents. Ideally no foreign material should enter the machinery along with the seed cotton or it may damage the mechanisms and produce a lower grade of cotton.

Moisture: Ideally there should be between five and eight percent moisture in the seed cotton as it goes into any type of ginning machine. If the moisture content is higher or lower than this level, the quality and quantity of the fibre produced may be affected.

Strength or G/tex: The stronger a fibre is, the more force it takes to gin it. So, for fuzzy-seeded or upland cottons the power required is much higher. Again, when the Rotobar gin is used to process these varieties, productivity falls to almost half compared to ginning black-seeded extra-long cotton.

Fuzziness: Different varieties of cotton have different levels of fuzziness, ranging from very fuzzy, to medium fuzzy, to black-seeded. The higher the bond between seed and fibre, the greater the pulling force needed to separate them. Accordingly, the production of fibre per hour will be lower or higher depending on the fuzziness.

Length of fibre: Short fibres will also reduce the productivity in machines suitable for medium and short staple cotton.

Machine speed: The speed of the ginning machine should be adjusted according to the strength and Micronaire, etc. of the seed cotton. Higher speeds may deliver greater volumes but may also damage the fibres.

Size of cotton seed: The preferred size index for seed is 10; other sizes will also affect the ginning capacity.

Ginning technology: Saw ginning is a high-speed, and high-power technology, hence



the output is much higher when compared to roller ginning. However, saw ginning may affect fibre parameters adversely, especially for long and extra-long cottons.

There are also some other factors also that can affect the ginning capacity, GOT and quality parameters. These include operator skill, the rate and uniformity of feeding rate, single locking of cotton bolls etc. We will now look briefly at Rotobar ginning, which is the most suitable process for extra-long cotton.

Ginning of extra-long cotton

Extra-long cotton can best be ginned using Rotobar machines, as these have been specially designed for these varieties. The following factors should be considered when ginning with Rotobar technology.

Fuzziness: Rotobar technology is designed for black-seeded extra-long staple cotton varieties. When fuzzy-seeded or upland varieties are ginned on Rotobar, the productivity per hour will be almost half, as it will require a higher power input. Moreover, the cotton seeds may end up cut or crushed.

Moisture: Rotobar technology is very sensitive to moisture, with the ideal moisture level at four to five percent. Any higher, and the ginning roll may become damaged.

Ginning outturn (GOT): For certain varieties of Egyptian cotton, the GOT is fairly low, i.e. about 35 percent or less, while other varieties produce about 38 percent, which clearly has implications for productivity. In the case of Pima and some Chinese extra-long staple varieties, the GOT is higher than 40 percent, hence productivity is higher.

Uniform feeding: It is important that the full width of Rotobar roller should receive a steady and continuous feed of seed cotton, otherwise the roller may get hot and retract. Allowing seed cotton to run consistently across the width removes heat from the roller and helps maintain continuous production

and higher output.

Clean cotton: The Rotobar is an advanced and a comparatively higher speed technology, which is very sensitive to the presence of trash and other foreign materials. Seed cotton fed into the Rotobar machine must be clean or it may damage the roller or cutters.

Conclusion

From the above it may be observed that Rotobar ginning is the most advanced and suitable technology for extra-long seed cotton, but it requires a higher level of skill from operators and particular cotton parameters. If proper training is given and the seed cotton requirements are understood, it is the best technology in the world for extra-long staple cotton. The US industry has already adopted this technology for use in their ELS sector, and now Egypt and China are setting up new plants installed with this machinery. In the near future, the benefits of Rotobar ginning technology will be available to all countries growing extra-long staple cotton.



The performance of Egypt's textile industry in a volatile global market



*Interview with
Mohamed Sameh, CEO
El Nasr Clothing and
Textiles (KABO)*

Interview conducted by Mohamed Darwish, Cotlook agent in Egypt and other Arab countries.

The Egyptian Textile industry occupies a crucial position within the nation's economy, holding the distinction of being the second-largest industrial sector, responsible for 34 percent of total industrial output. Notably, it contributes four percent to the country's GDP and plays a significant role in non-petroleum exports, accounting for almost 12 percent of revenue. Moreover, this sector serves as a vital employer, supporting 23 percent of the country's industrial labour force, which amounts to nearly 2.5 million workers, according to Egypt Textiles Exports Council data.

The Egyptian cabinet has been actively supporting government-run companies operating within this sector, recognising their importance in driving economic growth and providing essential employment opportunities.

In this interview, we have the privilege of sitting down with Mr. Mohamed Sameh, the CEO of El Nasr Clothing and Textiles (KABO), a prominent company in the Egyptian textile and clothing sector. We will explore the rich history of the company before delving into the

progress and revolution initiated by the new board of management in 2022, a true Egyptian success story.

We will also discuss how the company has managed to overcome the challenges posed by the current global economic situation, the obstacles to importing raw materials into Egypt, the fluctuations in the dollar exchange rate, and the devaluation of the Egyptian pound. Furthermore, Mr. Sameh will provide insights into the company's plans for new product lines, production quality, corporate image, and stock value. Lastly, he will talk about the company's vision for continuous improvement and its future expansion plans, including investments in machinery and manpower.

Cotton Outlook: The Egyptian textile industry's significance to the nation's economy is remarkable. How has El Nasr Clothing and Textiles (KABO) navigated the challenges posed by the current global economic situation and the obstacles to importing raw materials?

Mohamed Sameh: Firstly, I'd like to make the point that our company was established

decades ago with a vision to become one of the leading textile and clothing manufacturers in Egypt. Throughout the years, we have embraced our historical heritage while adapting to the dynamic demands of the global market.

The global economic situation has been challenging for all industries, including textiles. However, the Egyptian textile sector has encountered additional obstacles related to the import of raw materials, coupled with fluctuations in the dollar exchange rate and the devaluation of the Egyptian pound. To address these complexities, our new management board, which took charge in 2022, formulated strategic solutions to stabilise operations and secure the company's future.

CO: Can you elaborate on the progress and revolution initiated by the new board?

MS: Certainly. The arrival of our new management team marked a transformative phase in our journey. One of our primary goals was to diversify our product lines to align with evolving consumer preferences. Collaborating with esteemed designers, we introduced contemporary and eco-friendly collections that captured the imagination of a broader market segment, all the while upholding our commitment to top-notch quality and craftsmanship.

Moreover, we recognised that enhancing production quality was vital to our success. Significant investments were made in modernising our production facilities and adopting state-of-the-art technology. By emphasising employee training and development, we cultivated a culture of excellence, empowering our workforce to deliver products that meet the highest standards.



CO: It is very impressive how El Nasr Clothing and Textiles (KABO) has embraced change and innovation. How has this transformation impacted the company's corporate image?

MS: Reshaping our corporate image was a fundamental aspect of our transformation journey. As an Egyptian exporter in a very volatile global market, we acknowledged the importance of responsible business practices and sustainability. Through targeted marketing campaigns, we communicated our commitment to social responsibility and environmental consciousness, strengthening our bond with customers and stakeholders.

The market's response to our transformation has been extraordinary. Prior to 2022, El Nasr Clothing and Textiles (KABO) faced a decline in investor confidence due to the challenges we encountered. However, with the advent of the new management, investor sentiment has undergone a significant positive shift. As the positive outcomes of our strategies became evident, the company's stock value experienced a substantial surge, illustrating renewed market confidence in our potential for growth and profitability.

CO: Could you share some insights into El Nasr Clothing and Textiles (KABO)'s initiatives for continuous improvement and future expansion plans?

MS: Thank you. Continuous improvement is at the core of our approach. We recognise that innovation and adaptability are essential to sustaining growth. As part of our future expansion plans, we are investing in cutting-edge machinery and technology to maintain our competitive edge. By optimising our production processes, we aim to meet the dynamic demands of the market while retaining our commitment to product excellence.

Furthermore, we are deeply committed to nurturing our workforce through training



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and development. Our employees are our most valuable asset, and we believe that empowering them enhances productivity and fosters a culture of pride in their work.

CO: How do you envisage El Nasr Clothing and Textiles (KABO) contributing to the future of Egypt's textile industry?

MS: We see El Nasr Clothing and Textiles (KABO) as a pivotal driver of the future of Egypt's textile industry. Our commitment to sustainability, innovation and responsible business practices positions us as a trailblazer in the sector. Through strategic partnerships, exploration of new markets, and the creation of job opportunities, we aim to make significant contributions to the nation's economy and industrial growth.

CO: Thank you, Mr. Sameh, for sharing these valuable insights into El Nasr Clothing and Textiles (KABO)'s journey and vision for the future.

MS: It was my pleasure, Mr Darwish. Thank you for the opportunity to discuss our company's transformation and aspirations with your worldwide readers of the Long Staple Special Feature.



Establishing a next-level integrated supply chain for the textile industry



*Mohamed Negme Okasha
Managing Director
Arab Cotton Ginning (ACGC)*

Global supply

The textile industry has faced major challenges in recent years due to significant disruptions in global supply chains, leading to catastrophic consequences. Textile mills reliant on imported yarns, spinning mills dependent on imported cotton, and garment manufacturers have all been impacted. In some cases, factories have been forced to close. Effective supply chain management is now critical for the success of textile and apparel companies. Top management should prioritise developing and operating robust supply chain systems. Building comprehensive supply chains is imperative in the current landscape. Integrating across companies to create additional value is our strategy to bring innovations to the textile sector: motivated by concerns over limited supplies of domestic cotton, our management has pursued cooperation with stakeholders across the supply chain.

Impact of the Russia/Ukraine War

As governments worldwide began lifting COVID-19 restrictions, the spinning industry struggled to keep up with the sudden surge in demand. The widening gap between supply and demand drove cotton yarn prices to

record highs, exacerbated by rising cotton costs. Additional challenges such as the Russia-Ukraine war have contributed to further price increases. However, cotton prices are stabilising as supply chains recover; this should bring stability back to the industry over the next few years.

Additional challenges

The challenges in the industry require stronger players, which will lead the market towards mergers and acquisitions to create more prominent companies. In this new economic environment, achieving market share or acquiring another step in the supply chain is the new game. To survive in this challenging market, smaller players must join forces to create more prominent entities through mergers with companies of the same size or by becoming part of a bigger group through share swaps or acquisitions. In my experience, this industry needs financial engineering to achieve more sustainable revenues and to attract more investment. The global cotton yarn market is expected to grow by 25 percent within four years. Therefore, it is time to attract more investment in structured entities with financial vision and technical experience. The players who can rely on a more robust supply chain will indeed

have a better future. Increased competition will put considerable pressure on margins, resulting in more significant financial gaps. Horizontal and vertical expansion in the supply chain, along with mergers and acquisitions using out-of-the-box financial engineering solutions, are the only way forward.

Current perspective

Overall, the focus should be on creating significant value, starting with cotton ginning, aiming to establish quality early in the supply chain by providing high-grade cotton to spinning mills for superior yarn production. This end-to-end control of the supply chain from raw cotton to finished product is ACGC's unique value proposition. By managing the entire sequence, ACGC is working to thrive in a challenging new era of evolving standards and norms. As it evaluates its impact, environmental and social responsibility are significant priorities for us.

Since the textile industry is labour-intensive, it provides many employment opportunities. Workers' health insurance is a vital consideration that ACGC seeks to deliver at a high level. The company also strives continuously to increase wages by linking them to productivity gains. Ongoing training for all workers is implemented through an annual plan as part of ACGC's commitment to its employees.

Strategy

At the beginning of 2023, a youthful management team took over the company. They have a clear vision and a specific strategy to achieve the company's goals within 24 months. The company aims to reach a distinguished level that enables it to be one of the top companies operating in the textile field. We have consultants in all disciplines, such as management, technical, and financial, to meet all requirements and present a resilient business model.



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Cotton Trade Regulation
Committee Egypt*

In 1994, in order to regulate the cotton trade in Egypt, Law No. 210 was passed. Its philosophy is based on two things: first, upholding the principle of liberalising the cotton trade in Egypt; and second, the formation of a general committee to regulate the cotton trade locally and give it the status of a not-for-profit body, dedicated to the public good. The committee is made up of producers, merchants and agricultural associations, as well as other governmental parties.

It is the sole responsibility of the committee to regulate all aspects and participants of the cotton trade in accordance with the law's framework: this includes preventing monopolies, ensuring a fair price for farmers that allows them a profit margin sufficient to cover production costs, and enforcing the principles of freedom, equality, transparency, competition and equal opportunities.

Since its inception in 1994 to the present day (a period of almost three decades), the committee has continued to carry out its duties and to use its expertise in accordance with the requirements of the aforementioned law.

It has played an essential and successful role in the organisation of the domestic cotton trade and its subsequent economic, agricultural and financial impacts locally and globally by maintaining the reputation of Egyptian cotton.

As the committee represents the Egyptian cotton community, it was formed with all the parties and organisations involved in the Egyptian cotton trade as members. It is not simply a governmental organisation, a private organisation, a cooperative organisation, or a commercial organisation; that is to say,



it is distinctive because in addition to the government representatives, it also has members from the Association of Chambers of Commerce, agricultural co-operative unions, the Federation of Egyptian Industries, the Cotton Arbitration and Testing Organization, the Ministry of Agriculture and the Ministry of Commerce, making it an inclusive regulatory body for all parties.

The law granted this committee exclusive authority to implement General Assembly decisions, set rules and propose internal regulations to organise the cotton trade in local markets and submit them to the relevant authorities, as well as monitor the implementation of laws. This highlights the committee's special status, and ensures the support of its various agencies, including its branch offices in all the governorates that produce cotton, which coordinate the regulation of the cotton trade in those governorates, overseeing technical or administrative issues and the publication of periodic bulletins with cotton prices in accordance with the data released by the General Committee.

The way in which producers and merchants are represented on this committee, as well as how its chairman and legal representatives are chosen (via direct, secret ballots of sector-specific representatives) makes clear the committee's unique nature. The law has also granted the committee the authority to take any decisions it deems necessary to support the interests of all stakeholders, always following the guidelines laid out in the legislation and its executive rules governing the domestic cotton trading system.

Every cotton season, the C.T.R.C.E. creates and issues a set of general regulations for cotton trading that are then presented to the relevant authorities. The rules cover the procedural and technical aspects of trading, as well as the methods, mechanisms, and guarantees for marketing, and the responsibilities, duties, rights, and obligations of the parties involved, in accordance with the provisions of the Egyptian constitution, and any applicable local or national laws.

The C.T.R.C.E. has completed the organising regulations for marketing cotton in the current cotton season (2023-2024), and these were presented to the General Assembly at its annual meeting in July. The regulations will then be presented for approval to the Minister of Trade and Industry, who also receives monthly reports on trade activities as well as other recommendations for the trading system once a year.

The C.T.R.C.E. hopes to continue the fruitful cooperation between all relevant organizations and parties working in the area of cotton trade regulation in Egypt - whether these be governmental, cooperative, or private organisations – to ensure another successful cotton marketing campaign in 2023/24, and to promote links between the local and global markets according to international principles.

The C.T.R.C.E. invites everyone to work on the success of the cotton marketing system in the upcoming season, whether at home or abroad, and to collaborate in order to maintain the reputation and quality of Egyptian cotton, which is second to none.



The effects of climate change on the Egyptian cotton industry



Mona Kassem
*Export and Import
Manager/Better Cotton
Division Manager
ALKAN Mohamed Nossier
for Trading and Industry*

Climate change as a concept is well understood by experts in the environment and agriculture, but what about cotton traders?

It is a fact that climate change is impacting our world, our lives, and our business as cotton traders. In Egypt, we are witnessing a change in the weather pattern, fluctuating conditions within seasons, declining precipitation levels in some regions, and rising sea levels in the Nile Delta. We also see different patterns in different places: for example, rainfall has increased recently in Upper Egypt while decreasing in the Delta region. This is a reversal of the pattern in evidence a few months ago. All these factors are slowly but steadily making a difficult situation worse.

However, it might be said that we are not yet seeing the most significant manifestations of climate change in Egypt, so it is essential to educate the population about the risks associated with it and the actions that can be taken to mitigate these risks.

The sector first and most seriously affected by climate change is farmers. The majority of Egyptian farmers are smallholders, making them one of the most vulnerable groups to

climate instability. Within this group, we have many female workers, who actually make up 49 percent of the entire rural population: 42.8 percent of women in Egypt work in agriculture, and 17.8 percent of rural Egyptian women are unemployed, according to the Egyptian National Council of Women.

Over our five years of involvement with the Better Cotton project, as a Better Cotton implementation partner, we have had the opportunity to get to know the farming community to find out more about the challenges that they are facing. These include:

- high harvesting expenses, which account for 70 percent of the cost of cotton cultivation;
- high input material costs, such as costs for pesticides and fertilizers;
- fluctuating prices for cotton, which frustrate farmers and prevent them from continuing to grow cotton;
- a lack of agricultural extension agents;
- high levels of education in non-agricultural disciplines and a lack of interest among young people in

pursuing careers in agriculture in rural areas;

- the competition that long and extra-long cotton varieties face from other cotton varieties, man-made and other natural fibres.

It is crucial to educate Egyptian farmers about the concept of climate change, how it is manifested in their environment, how they can mitigate its effects, as well as the significance of promoting women's empowerment, because all of these difficulties make the farming community more vulnerable to the effects of climate change.

More programmes aimed at promoting sustainability are needed in order to overcome all of the previously mentioned challenges, not just in cotton farming but in other agricultural sectors too, as these programmes aim to raise farmers' awareness of sustainable agricultural practices and to maximize their income by reducing their operational expenses.

However, implementing such programmes is not a magical solution to farmers' livelihoods and other problems of rural communities. In addition, more practical measures are needed, which may include:

- agricultural administrations adopting clear policies to achieve Sustainable Development Goals;
- subsidising smallholder farmers in financial and technical terms by providing them with practical support and making farming inputs (especially fertilisers and pesticides) available in a timely fashion at a fair price and in sufficient quantities to cover all farmers' needs;
- gathering all small farms in a local area under the supervision of a single agricultural association to help introduce standardised cultivation practices, co-ordinate irrigation dates and other farming operations, in order to support the crop more effectively, reduce the amount of water used and

make it easier to employ sustainable cultivation technologies;

- enhancing the diversification of income sources in farming communities. For instance, the raising of livestock is often carried out in a non-organised fashion. However, organising this sector will help improve smallholders' livelihoods, enhance the ecosystem, and confer other benefits as well;
- farmers, the public sector and the private sector should all collaborate to find a solution to the high cost of harvesting by setting up pilot programmes to test various harvesting machines, determining which ones will perform best in an Egyptian context and to establish how the technology can be sourced and financed to make it available to farmers at a reasonable price;
- finally, and perhaps most significantly, the involvement of our company (Alkan Mohamed-Nossier for Trading and Industry) and Modern Nile Cotton Co. as implementation partners in the Better Cotton project shows that the private sector still has much to offer in terms of assisting rural communities and Egyptian farmers in raising the quality of their lives.

In the 2019/20 season, which was the first year the Better Cotton programme was implemented, we were able to engage around 3,000 farmers and 4,200 workers in the project. These farmers and workers were located in two governorates, Kafr Al Shaikh and Damietta, both of which are in the Delta region.

However, at Alkan we are always aiming to reach out more widely to more farmers and workers in order to raise their awareness of the different practices that will help them sustain their cotton cultivation and agricultural in general. Today, we are managing six production units helping more than 9,800 farmers, and 12,000 workers. We have been able to train farmers and employees in a

variety of sustainability practices through the company's six production units in the governorates of Damietta, Sharqia, Behera in the Delta region and Bani Sweif in Upper Egypt. For instance, we gave them training to raise their awareness of the good practices to preserve the soil, rationalise their use of water, limit the use of chemical pesticides and fertilizers and replace them with bio pesticides and farmyard manure, improve biodiversity, the dangers of child labour to children and society, the value of women's empowerment to society, and how to support women in gaining access to more job opportunities and receiving equal wages with men when performing the same work.

As part of our efforts, we have trained workers to understand the threats that chemical pesticides represent to their health and the environment, we have provided them with personal protective equipment and trained them on how to properly dispose of empty pesticide containers.

We have also been able to create more job vacancies in the regions where we operate our production units by providing former agricultural cooperative employees with more employment options and re-engaging them in the workforce so that farmers can benefit from their expertise and fill the gap left by the lack of agricultural extension agents. As we hire more women to work in the quality control procedures that take place after harvesting and before ginning, we increase the employment choices for women both

inside farming communities and outside, such as in ginning mills.

We believe we have done a lot over the past four years to help farmers become more familiar with the cotton varieties they are growing and gain awareness of a range of efficient farming practices. Nevertheless, there is still more work to be done to develop rural regions, promote agricultural sustainability, diversify farmers' sources of income, and increase agricultural education. In assisting women to find better employment opportunities, training and employing them to serve as field facilitators, we will help to raise a generation of children who value agricultural work since mothers are their first teachers.

Ultimately, I think that our population needs to be made aware of the critical importance of agricultural sustainability, not just in rural areas but also in modern cities. We will keep expanding the Better Cotton Project by involving more farmers and workers because we believe that everyone should value agriculture and the hard work that farmers do to cultivate the various crops. We also anticipate that more private sector participants may join us in the implementation of such projects, as well as more associations such as the Cotton Egypt Association, which has joined the project as a strategic partner, as this is the only way to truly improve the countryside and to make rural communities more resilient to the effects of climate change and other challenges.



Extra-long staple cotton in Israel – ELS production and regenerative agriculture



*Jonathan Spenser
The Israel Cotton Production
and Marketing Board Ltd*

In recent years, there has been a growing recognition of the need for sustainable agricultural practices that minimize negative environmental impacts. Concepts like regenerative agriculture, agroecology, organic farming, environmentally friendly agriculture, and sustainable intensification emphasize the integration of environmental considerations into agricultural systems to achieve food and fibre security while preserving natural resources and biodiversity.

Policy interventions, technological advancements, and farmer education are crucial for promoting environmentally friendly agricultural practices and achieving a balance between agricultural production and environmental conservation.

The Israel Cotton Board (ICB) is presently positioning itself as a supplier of environmentally friendly cotton, by following environmentally sound practices and collaborating with government offices, civil societies, and international standards organizations to continuously entrench awareness and appropriate practices on farms.

For the past several years the Israel cotton sector has been leading research at its member farm sites aimed at the improvement of soil conservation methods, prevention of

soil loss, maintenance of drainage systems and restoration of endangered species to natural habitats that are adjacent to cotton fields.

Increasingly, modern production systems that follow traditional principles such as minimum tillage, no-till, crop rotations that are required to maintain high yields, and other soil conservation methodologies are adopted and followed consistently.

This is a genuine continuous improvement process. As growers become more exposed to the importance of environmental awareness it becomes clearer that cotton production and regenerative agriculture are two interconnected disciplines that focus on sustainable and environmentally friendly approaches to growing cotton.

The Israel cotton sector is presently adopting ever more regenerative agriculture principles. These principles comprise an approach to farming that aims to restore and improve the health of ecosystems, enhance biodiversity, and promote soil fertility. They focus on practices that regenerate and replenish natural resources rather than depleting them.

Cotton growers now consider:

- Soil health, by reducing tillage, using cover crops, and integrating crop

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rotations. Healthy soil enhances water retention, nutrient availability, and carbon sequestration.

- Encouragement of biodiversity, through practices like planting diverse crop species, providing refugia for beneficial insects and wildlife, and avoiding the use of synthetic pesticides on margins to help maintain ecological balance in fields and in the surrounding habitats.
- Water conservation, which has always been a hallmark of Israeli cotton production, includes techniques of precision irrigation, water-efficient practices, and improvement of soil structure to enhance water-holding capacity.
- Carbon sequestration by focusing on practices that increase organic matter content in the soil, facilitating reduction of greenhouse gas emissions and mitigating climate change.

Cotton remains one of the most widely cultivated and essential natural fibres globally. Alas, in the past, conventional cotton production has been associated with several environmental and social challenges.

Not anymore. Adopting principles of regenerative agriculture is poised to change that disrepute.

Israel ELS producers are applying regenerative agriculture principles to cotton production including water stewardship, integrated pest management, enhancement of biodiversity at the field environment, cover crops, crop rotations and organic cotton production.

By combining these regenerative practices, cotton producers strive for more sustainable and environmentally responsible cotton farming, reducing negative impacts on ecosystems and contributing to the well-being of farmers and communities involved in cotton production.

ICB, a benchmarked Strategic Partner of Better Cotton, produces quality cotton based

on its own standard¹, which is increasingly becoming an environmentally friendly benchmark by incorporating these principles of regenerative agriculture. The sector independently implements this standard to produce quality cotton fully recognized by BC as “Better Cotton”. This alone is expected to drive increasing yield and quality in a sustainable manner to new highs.

ICB is fully committed to its sustainability principles and believes they will provide an edge in the marketplace. As the entire crop conforms to BC “Better Cotton” standards, ICB continues its tradition of supplying the highest quality cottons, which now enjoy the additional advantage of being produced under rigorous and recognized standards to complement its excellent reputation for world-class quality and service.

Israeli cotton now not only conforms to these attributes of quality and service, but also delivers a brand based on best management practices in the realms of regenerative agriculture, decent work, and farm management.

The sector continues to promote sustainable principles of ESG that conform to the highest standards.

Quality Parameters 2022-2023

Variety	Length (HVI)	MICRONAIRE	STRENGTH (HVI)
Israel Pima ELS	39-42 mm	3.7-4.5	143+ GPT
Israel Acalpi LS	36-40 mm	3.4- 4.2	36+ GPT

All Israeli cotton is 100-percent machine picked by John Deere Baling Pickers, 100-percent roller ginned, 100-percent mechanized production, HVI and stickiness testing, and is now 100-percent sustainably produced and accredited as BC “Better Cotton”.

Israeli cotton is – for the last 14 years – exclusively and successfully marketed by **Otto Stadlander GmbH, Germany** and consumed by the best and leading spinning mills worldwide, in countries including China, India and the Far East, as well as Turkey, Europe and South America.

¹ <https://bettercotton.org/israel-cotton-production-and-marketing-board-becomes-bci-strategic-partner/>

INTA and Argentina's first long staple cotton variety



Ing. Agr. Diana R. Piedra
Director
Centro Regional Chaco-Formosa
Instituto Nacional de Tecnología
Agropecuaria (INTA)

Every four or five years, Argentina's *Instituto Nacional de Tecnología Agropecuaria* (INTA) defines its research priorities with the aim of solving major problems and seizing opportunities in the agricultural and agro-industrial sectors in various parts of the country.

At INTA's Experimental Stations in the northern provinces, we work to improve the competitiveness of our cotton supply chain in terms of productivity as well as social and environmental sustainability. All this takes place within the framework of the National Cotton Plan.

By consolidating a network of professionals, we endeavour to integrate and empower capabilities in various disciplines, coordinating the institution's actions and deploying its resources in order to develop and/or validate technologies such as genetic improvement, biotechnology, plant protection (from pests, weeds and diseases), crop management and fibre quality – not forgetting cotton economics.

Our task, then, is to achieve technical innovations in the cultivation of cotton that are suited to the diverse agro-ecological areas and production models that predominate in Argentina's cotton-growing region.

With this in mind, we should highlight the work that is being done to develop new cotton varieties. INTA's Experimental Station in Sáenz Peña, Chaco, has at its disposal a germplasm bank with a collection of more than 800 materials. On the basis of this work, 28 varieties have been registered that are suitable for various environments and have been well received by farmers.

Today, the three most widespread varieties sown in Argentina are Guazuncho INTA BGRR, Guaraní INTA BGRR and Porá INTA BGRR, which was launched commercially in the 2018/19 season. These are cottons with a shorter growth cycle, high yields, excellent vigour, ginning outturns between 38 and 40 percent and the quality required by the national and international markets.

The cultivars in question are in demand from Paraguay, Brazil, Spain and Colombia.

Another recent achievement has been the development of the SP21 variety. This is a unique cultivar in Argentina, noteworthy for the economic and commercial potential offered by the fineness and strength of its fibres. With a staple length well over 32 millimetres, this is the first long staple variety produced in Argentina. Its key attributes will allow for import substitution, lower costs and

the capacity to produce quality garments with export potential.

Furthermore, in these initial growing seasons, the variety has shown a high level of adaptation to the severe drought conditions that have characterised recent summers.

According to Ing. Agr. Alex Montenegro, the specialist in fibre quality who is responsible for the cotton Fibre and Seed Quality at INTA Sáenz Peña, Chaco, “the first crop of the SP21 variety is in its full reproductive phase. We have observed the plant’s good development and favourable appearance, as well as a substantial fruit load. All this was achieved in conditions that were not favourable, since only 50 percent of the rainfall required for the

crop to develop normally was received during the period from November to March.

Amongst the promising characteristics of this variety, one that stands out is its tolerance of temperatures above 30° Celsius. Even in these conditions, plants up to 1.7 metres in height were recorded, with the formation of between seven and fourteen bolls.”

Finally, we should recognise that this innovation was possible within the framework of a Technology Cooperation Agreement with private sector companies (Halgón SAS and Pato Pampa), on the basis of a strategic alliance led by INTA that is crucial in responding to the requirements of producers and the cotton industry.



“Your contact in Greece”

NICOT Trading PC
Parthenonos 1-3
Nea Erythrea 14671
Athens, Greece
Tel: +30 210 8000007
Fax: +30 210 8073156
Email: info@nicot.gr



Greek & Egyptian cotton broker

2023 Xinjiang long staple outlook



*Changzhou Keteng Textile
Co., Ltd*

Cotton Outlook: What is the total area planted to long staple cotton in Xinjiang in 2023? How does it compare to last year? What are the yield per mu and total output expected to be? How much did the continued bad weather in April affect the cotton plants?

CK: In 2023, Xinjiang's long staple cotton planted area is about 350,000 mu, while the comparable figure last year was around one million mu, so we are witnessing a decrease of 65 percent. At present, the pace of development of long staple varieties is good, better than upland cotton in fact: the low temperatures and poor weather in early April to May did not create a serious impact, so yields are expected to be same as last year.

This year's total output is expected to be 30,000 tonnes if the impact of the current high temperatures is not too serious in the later stages of the growing season. If plants continue to develop well in the next two months, the figure could reach 32,000 tonnes. Overall, production is expected to be about 62.5 percent lower than last year.

CO: What is the state of the long staple cotton market at present? In the first half of this year, the price of Xinjiang long staple cotton was basically stable. How do you expect the market and prices to develop in the second half of the year?

CK: The current price is 27,000-28,000 yuan per tonne, and buyers' price ideas are only slightly lower. However, demand is still low since spinners have relatively few orders for high-count yarns, and thus mills are tending to hold back from purchasing, or to turn to other fibres as a substitute, such as Egyptian cotton.

At present, the available inventory is small, estimated at 20,000-30,000 tonnes. In terms of the market for the second half of the year, there are two principal influences – the potential impact of the weather in the main producing areas and market demand. If crops are badly affected by the continuous high temperatures in Xinjiang, and the recovery of high-end clothing consumption is better than expected, the price of long staples is very likely to rise significantly.

CO: Although Xinjiang long staple cotton is of excellent quality, imported cotton is generally used for high-count yarn products destined for Europe and the United States because of the import restrictions in place. Do you think Xinjiang long staple cotton can regain vitality in terms of demand?

CK: Since the start of the Sino-US trade war back in 2018, Chinese textile enterprises have gradually adjusted their raw material blends to meet the needs of domestic and international markets. The downstream supply

chain has also been making corresponding changes. At present, for China's overall textile industry chain, the systems of 'internal circulation' and 'external circulation' have been differentiated. For products aimed at the domestic market, as well as some non-European and non-American orders, Xinjiang cotton can be more widely used; however, for export orders destined for the EU and US, non-Xinjiang cotton or cellulosic fibres are their primary choices.

Moreover, in addition to the above supply chain adjustment, China's domestic demand for high-end textile products made with Xinjiang long staple cotton is expected to remain stable in the longer run with the support of orders for high-end home textiles for hotels and high-quality clothing as social activities return to normal.

CO: What are your thoughts on the level of the target price subsidy for Xinjiang long staple cotton this year?

CK: The target price subsidy for long staple cotton will be 1.5 times of upland cotton, up from 1.4 times last year.

The actual positive effect also depends on price comparison between long staple and upland cotton, as well as the former's absolute price. In 2022/23, average returns from upland cotton planting reached around 3,600 yuan/mu, while only 2,675 yuan/mu were achieved from long staples, so many farmers have converted to upland cotton. At this point in the 2023/24 season, the prevailing price of upland cotton is now about 18,000 yuan/tonne. If prices can be maintained at this level until the main marketing period, farmers will be able to sell their seed cotton at higher prices, and the amount of subsidy payable will be reduced, while the overall income derived from upland cotton will be guaranteed. In contrast, although the subsidy multiple for long staple cotton has increased, the absolute amount of revenue will still be reduced, so

unless the purchase price of long staple seed cotton can be greatly increased, the income for long staple farmers will still be less than that generated by upland cotton.

CO: Has the proportion of upland cotton sown in Awati County increased this year? What is the way forward for long staple cotton?

CK: In Awati, of the total cotton area sown in 2022/23, 64 percent was dedicated to upland cotton, while the proportion in 2023/24 is 78 percent. The rise can be attributed to the lower returns associated with long staple cotton cultivation compared to upland varieties, as we discussed above.

The future development of long staple cotton in the area will be influenced by the following factors:

1) Whether the breeding, cultivation and processing technologies of long staple cotton can be enhanced, and whether the cost of planting and processing can be



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reduced, which will increase income for cotton farmers as a result of technical improvements.

2) Whether the subsidy mechanism can be adjusted with long staples in mind, so as to bring farmers' incomes from long staple cotton production into line with achievable lint prices.

3) The strengthening of the connection between producers and cotton users and improving the quality of long staple lint in accordance with the needs of those users.

4) The promotion of high-count yarn products to encourage the planting of long staple cotton.

CO: What about LS consumption in China this year? We previously had a figure of 130,000 tonnes for 2022/23 – is that still accurate? And do people think this might rise or fall in 2023/24?

CK: China's consumption of long staple cotton this year has increased since last season as demand for many consumer goods has begun to recover following Covid.

We estimate total consumption in 2022/23 to be around 110,000 tonnes, which is an improvement from the 80,000-100,000 tonnes we estimated for 2021/22. For 2023/24, consumption could grow further, perhaps up to 120,000 tonnes.

CO: As a downstream consumer of long staple cotton, how will Keteng adjust its business strategy under the current circumstances?

CK: The overall price of long staple cotton remains relatively high, and it is difficult to find an effective hedging mechanism. Furthermore, since there is a potential lack of downstream orders resulting from the higher prices, our main approach to long staple cotton business remains cautious and we will continue to purchase according to demand. At the same time, however, Keteng will pay close attention to the direction and fluctuations of market demand because long staple inventories across the whole industrial chain are low at present, and we will aim to maintain a certain level of inventory for the sake of security.



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The place of long staples within India's cotton eco-system



Hari Thiagarajan
Executive Director
Thiagarajar Mills



G. Chandrashekhara
Economist, Senior Editor
and Policy Commentator

India is among the world's largest producers, consumers and exporters of cotton. For centuries, cotton – known as 'white gold' – has been a valuable cash crop for the country. Given the nature of its utilisation, cotton may be called an 'industrial crop'.

The importance of cotton in India has increased in the last 15-20 years with massive expansion in planted area and output. It is currently ranked in first place for planted area (approx. 13 million hectares) and moves between first and second place for production (usually around 32 million 170-kilo bales).

Despite the gains seen this century, however, productivity levels are still low and have tremendous scope for further increase. At roughly 450 kilograms of lint per hectare, our yields are far below the global average of over 750 kg/ha and less than a third of those achieved by other major producers such as China and Brazil. Moreover, the quality of the lint produced is often an issue.

As the quality of Indian short staple cotton is higher, it tends to be exported to Asian

countries, while longer staple lint is exported mainly to Bangladesh.

Although until recently a net exporter of cotton, India imports much of its requirement for long staple and extra-long staple cotton, principally from Egypt and USA. This is because Indian LS cotton is less suitable for the superfine yarn counts required to make the highest quality fabrics with very high thread counts.

Moreover, unlike imported supplies, Indian cotton cannot be said to be contamination-free. So, Indian production of LS and ELS cotton is limited and often does not meet the standard required, thereby forcing users to resort to imports.

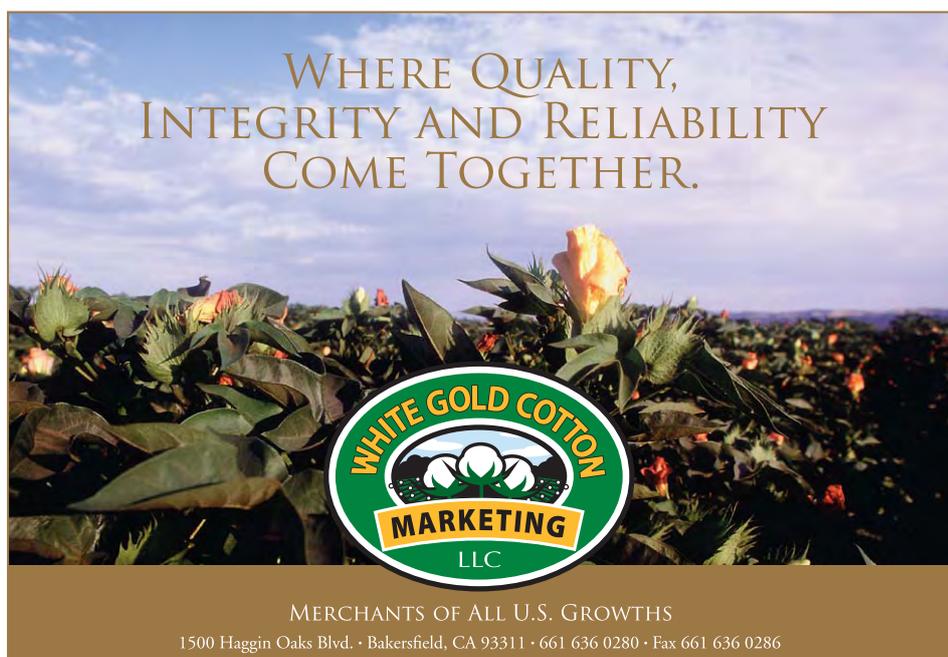
To address this issue, imported supplies of LS cotton are blended with Indian lint to add lustre and strength to the finished product and to create better quality yarns and fabrics. However, imports of these long staple varieties are limited to around 1.5 million bales, less than five percent of total domestic production.

INDIA

While using domestic LS cotton, Indian spinners face several challenges. These include:

- high variability of fibre properties, giving inconsistent results in the yarn produced;
- lower Micronaire and weak fibres often result in fibre rupture, a high incidence of neps and the generation of short fibres during processing;
- the low uniformity and high preponderance of short fibres mean low yarn realisation (the average figure for Indian LS varieties is 70 percent realisation compared to 76-78 percent for imported cotton);
- low maturity and high numbers of neps adversely affect the finished fabric's appearance;
- high contamination levels often make Indian LS unsuitable for the production of white and light-coloured fabrics.

The accompanying table compares the properties of Indian cotton with two popular international varieties.



effort must commence right away. For a start, large industrial users should explore the possibility of establishing backward linkages to boost production.

Contract farming involving partnerships with Farmer Producer Organizations (FPOs) is one sure way to ensure captive supplies. It would be a win-win solution for growers and industry both. It would make spinning mills more competitive and save precious foreign exchange reserves.

In order to boost LS production, though, India needs a breakthrough in seed technology. Higher research and development spending will be required to help produce varieties suitable for Indian agro-climatic

Long staple cotton properties

Cotton variety	USTER HVI data					Uster AFIS data	
	Upper half mean length (mm)	Uniformity Index	Finess (MIC)	Strength (GMS/TEX)	Maturity	Short fibre SFC (n)	Neps/gram
DCH	33 - 36	83 - 86	3.00 - 3.80	32 - 37	0.84	26.5	300
Giza 94	33 - 34	86 - 87	3.70 - 4.20	38 - 41	0.86	19.5	120
US Pima	35 - 36	87 - 89	3.90 - 4.20	43 - 46	8.87	14.5	140

Without doubt, India must strive to increase its domestic production of LS and ELS cotton. However, this is not going to be easy. It may take a few years for India to become self-sufficient in LS and ELS cotton, so a concerted

conditions. Seed production will need certification and strict monitoring. Growers, mainly FPOs, can be trained to adopt modern practices including high-density planting and scientific post-harvest handling.

Improved supply chain efficiencies can then allow stakeholders to achieve greater value. Digitization will surely help. In addition, the modernization of ginning mills and training in scientific handling of cotton is critical to reduce contamination.

While every effort must be made to improve production, yields and the quality of LS cotton, the results will take time to materialize. Cotton sector stakeholders must stay committed to the cause but wait for results to emerge gradually.

In the intervening period, import policies targeting LS cotton must be adapted to meet the needs of the textiles industry. While a liberal policy for cotton exports is a pro-farmer initiative, a liberal, stable, long-term import policy would benefit users of cotton, and of course the end consumer. Ideally, imports should be regulated and monitored so as not to hurt domestic prospects.

Having said this, Indian policymakers must recognize that global and domestic market conditions will continue to evolve. There is a risk that looming challenges may stymie growth in India's cotton sector over the coming years. Land constraints, water shortages and climate change are the new challenges the Indian cotton sector will have to overcome.

Some crystal ball gazing...

In the next 8-10 years, world cotton production is expected to grow at a slower pace than consumption. We propose that cotton yields will grow more slowly as production gradually shifts from high-yield origins such as China to relatively low-yielding countries in South Asia and West Africa. World cotton use is likely to grow at less than one percent per year due to slower economic and population growth.

Raw cotton processing in China will continue its long-term downward trend. At the same time, higher mill use is envisaged in India, Vietnam, Bangladesh, Indonesia and Turkey.

The ongoing shift of world trade towards value-added cotton yarn and manmade fibres will continue, although competition from synthetic fibres will make cotton less attractive from the point of view of price. Crude oil rates will also impact synthetic fibre prices: our research suggests that over the next 8-10 years, crude oil prices will gradually weaken as fossil-fuel consumption begins to shrink. Falling crude oil prices will reduce agricultural production costs, including those for cotton in industrialised economies. This may have a serious impact on India's competitiveness if not addressed soon.

Where does India stand? Barring years of drought, India will remain/return as the world's largest cotton producer. According to OECD-FAO projections, by 2030, India is expected to contribute 41-42 million bales or close to 25 percent of the projected world output. India's mill consumption will become the world's largest. Consumption growth will be driven by income increases, demographic pressure and the current low per capita usage.

The emerging scenario poses a challenge for all stakeholders in the cotton value chain to ensure that domestic demand is fully met and a genuine export surplus is created. Remunerative prices should be sufficient to keep growers motivated.

A combination of multiple technologies is the way forward for Indian agriculture in general, and for Indian cotton in particular, in order to leverage the record area under cultivation. The adoption of multiple technologies – information technology, agri-biotechnology, satellite technology, nuclear agri-technology and nano-technology – can deliver improved farm productivity as well as quality. Precision agriculture using these multiple techs should be promoted.

Going forward, we envisage increased digitalisation of the supply chain. Automation, robotics, artificial intelligence, blockchain technology throughout the import and export supply chains will all receive a boost. These will advance traceability and help meet compliance requirements, providing end-to-

end solutions. The user industry will have to learn to de-risk its business from the vagaries of production, quality and price.

Although cotton currently faces challenges from synthetics, the world is decidedly moving towards 'green', 'natural', 'renewable' and 'biodegradable' materials. So, cotton as a natural fibre will continue to enjoy consumer support. The world market is increasingly looking for 'green' products. This trend is evident in several consumer products including personal-care products.

Cotton as a natural fibre can also help advance many of the Sustainable Development Goals (SDGs) adopted by the

United Nations. In our view, cotton can contribute to as many as ten of the UN's 17 SDGs.

Indian cotton and products must become globally competitive. Global competitiveness is 'the ability to produce globally acceptable quality at globally comparable cost'.

India enjoys varied agro-climatic conditions and other natural endowments. As a natural fibre, cotton is an extraordinary gift of nature. Because it is nature's gift to India, let us make Indian cotton and cotton-based products 'India's gift to the world' and let rejuvenated ELS varieties be a part of that gift. (Views are personal).

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**LouisDreyfus
Commodities**

LOUIS DREYFUS COMMODITIES SUISSE S.A.

29, ROUTE DE L'AÉROPORT
CH-1215 GENEVA 15, SWITZERLAND
PHONE: 41-22 799 2700
FAX: 41-22 592 74 68