



Cotton Fact Sheet USA

The USA has the world's largest economy with a GDP of USD14.2 trillion and a GDP per capita of USD46,800.

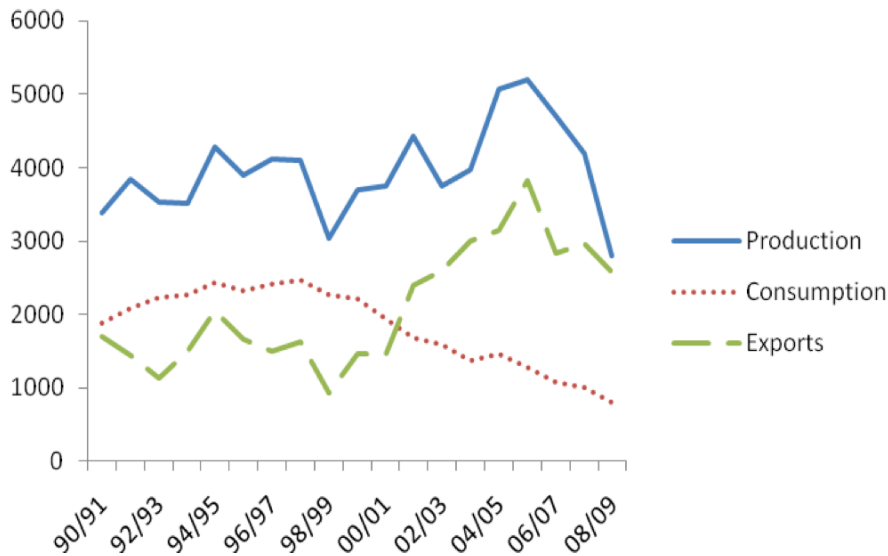
OVERVIEW

The USA plays a major role in the global cotton industry. The US was the 3rd largest producer of cotton (preceded only by India and China (Mainland)) and the 5th largest consumer of cotton (preceded by Turkey, Pakistan, India and China (Mainland)) in 2007/08. More importantly, the US is the largest exporter of cotton. The U.S. cotton industry accounts for more than \$25 billion in products and services annually, generating over 400,000 jobs in the industry sectors from farms to textile mills. However, in recent years cotton has been losing precedence and acreage to other competing commodities such as wheat, soybeans and corn.

ECONOMICS

There was a general upward trend in production of cotton from 3.8 million tons in 1990/91 to 5.2 million tons 2005/06. Production declined in following seasons due mainly to a drop in cotton area. Consumption of cotton, on the other hand, declined from a peak of 2.5 million tons in 1997/98 to 998,000 tons in 2007/08.

The United States is the largest exporter of cotton with an estimated 3 million tons exported in 2007/08, accounting for approximately 40% of the world total. Like cotton production, US's cotton



exports have experienced a general upward trend until 2005/06 when they peaked at 3.8 million tons before starting to decline. The top export destination is China (Mainland). The US exported approximately 32% of its cotton to China in 2007/08. Other major markets are Turkey, Mexico, Indonesia, Thailand and Vietnam.

The US cotton mill use has declined significantly as a result of a combination of pressure from domestic and international policies as well as market forces.

PRODUCTION CHARACTERISTICS

In the USA, the cotton crop is planted from March to May and harvested from August to December. The majority of the crop is planted in 17 southern States from Virginia to California. Major production regions include areas of the Texas High and Rolling Plains, the Mississippi, Arkansas, Louisiana Delta, California's San Joaquin Valley, Central Arizona, and Southern Georgia. The total cotton area was 4.2 million hectares in 2007/08 (approximately 24,000 cotton farms).

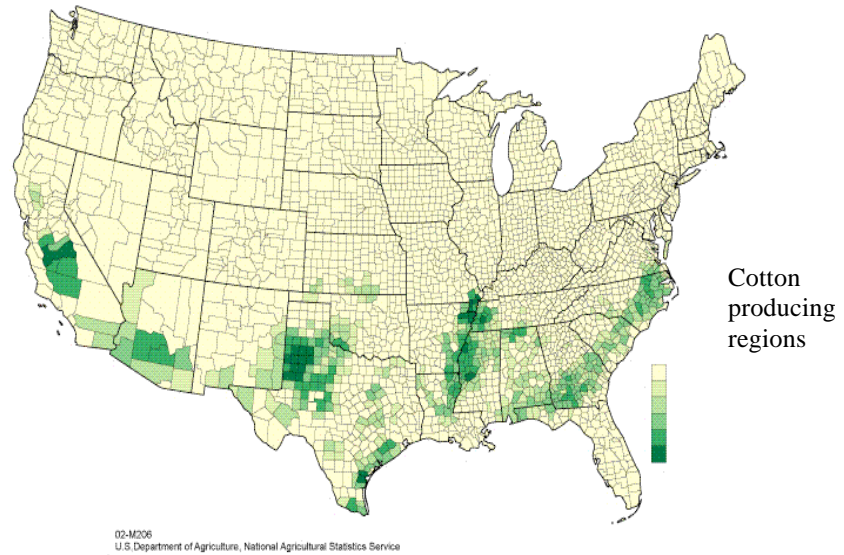


The decline in cotton area can be attributed to farmers switching to more competitive commercial crops such as grains and soybeans. It is important to note however that as total cotton area declines, Texas is growing in importance.

The average farm size is 1,241 hectares with yields of 985 kilograms/hectare (2007/08). Cotton

Incorporated estimates that around 60% of US

cotton area is grown without irrigation. The Deltapine brand of Upland cottonseed was the most popular planted in the United States for the 2007/08 season according to the USDA. The Bayer CropScience Fibermax brand was listed as the second most popular. Cotton growers also harvest ELS cotton, the Pima variety. The most popular Pima variety was Phytogen. The US produces a small amount of Pima cotton in the west of the country (mainly in California) but the production has been declining in recent years. Cotton farming in the US has been subject to a myriad of advances in technology (seed varieties, fertilizers, pesticides, and machinery) and production practices (reduced tillage, irrigation, crop rotations, and pest management systems) resulting in consistently high yields.



STRUCTURE OF INDUSTRY

Generally, the USA cotton industry is highly privatized and consequently market oriented with government intervention in the form of the USDA's work and participating agencies. The industry is characterized by a high degree of organization, aggressive promotion of the cotton crop (both domestically and internationally) and the only industry to have a futures market. The private sector is organized by 7 segments (producers, ginners, warehouses, cooperatives, merchants, oil seed crushers, and spinners). The 7 segments are under the umbrella of the National Cotton Council who represent their interests in Washington DC and encourage adoption of superior practices. The USDA and participating agencies are responsible for grading cotton, agricultural research, and the collection and propagation of basic market information.

ISSUES

A main issue plaguing the US cotton industry is the high cost of production, specifically the cost of operations (the cultivation, fertilization and picking of cotton are all costly). This is arguably coupled with the high input intensive aspect of cotton farming. In addition, although it is not a widespread issue, some areas suffer from water shortages.