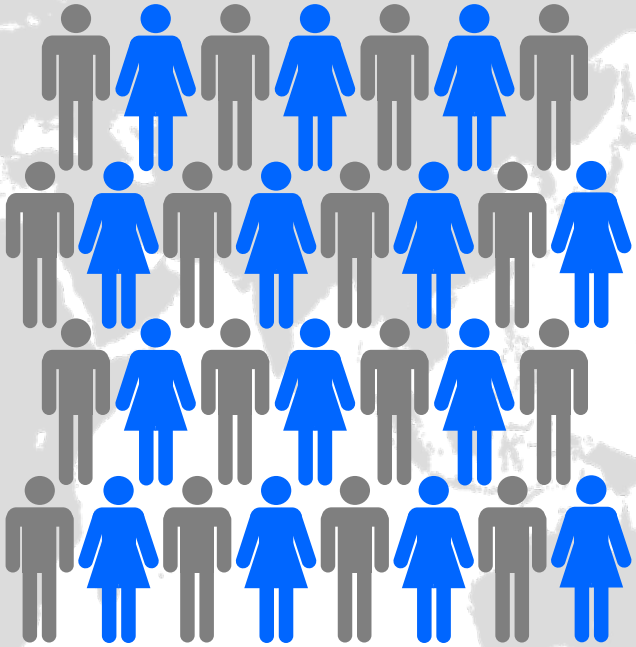
Jon Devine
June 2013

Recent Market Events & Challenges for Demand Growth

Global Demand Drivers

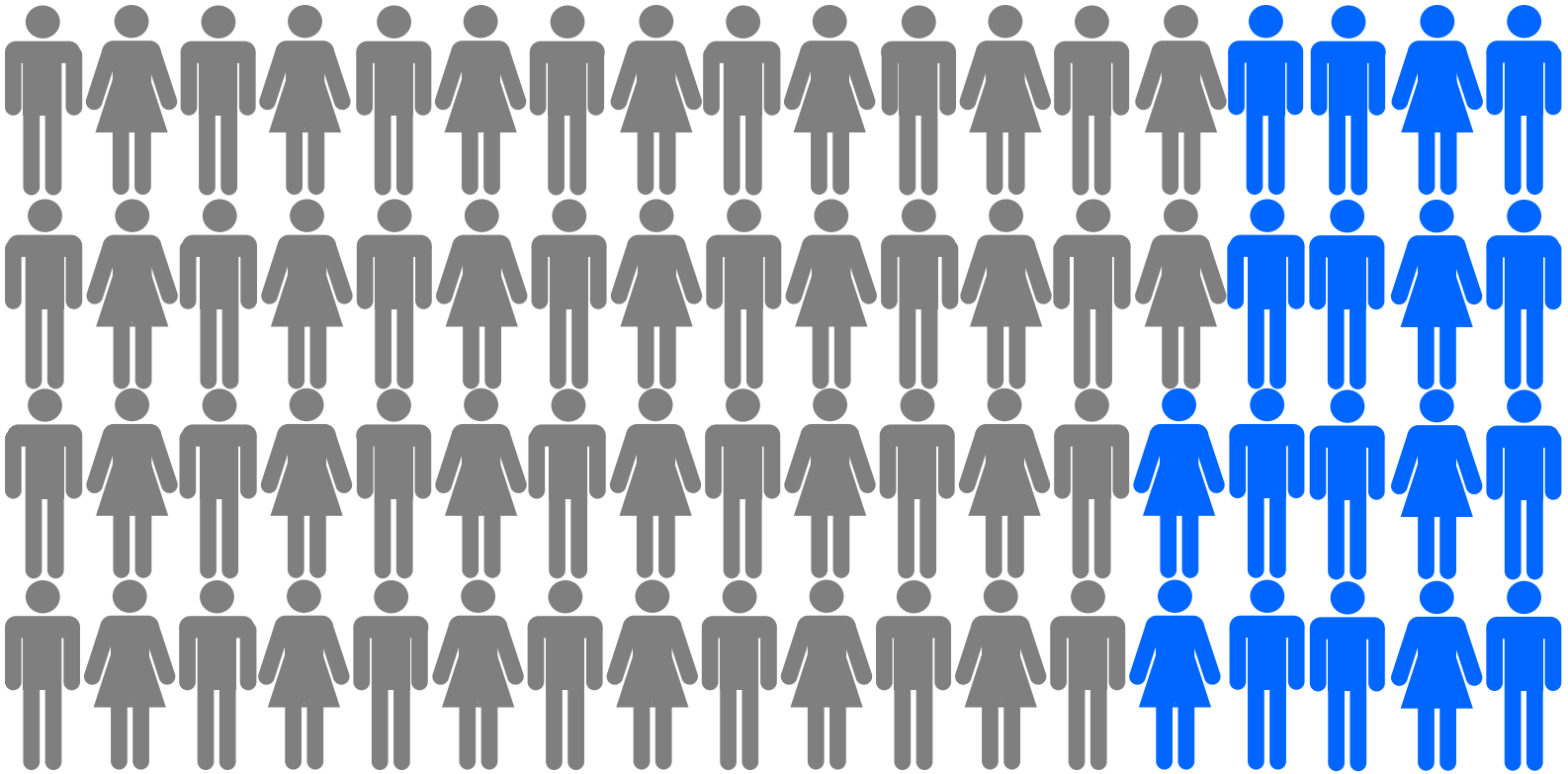
How much people are spending on your product



Number of people buying your product

World Population Growth

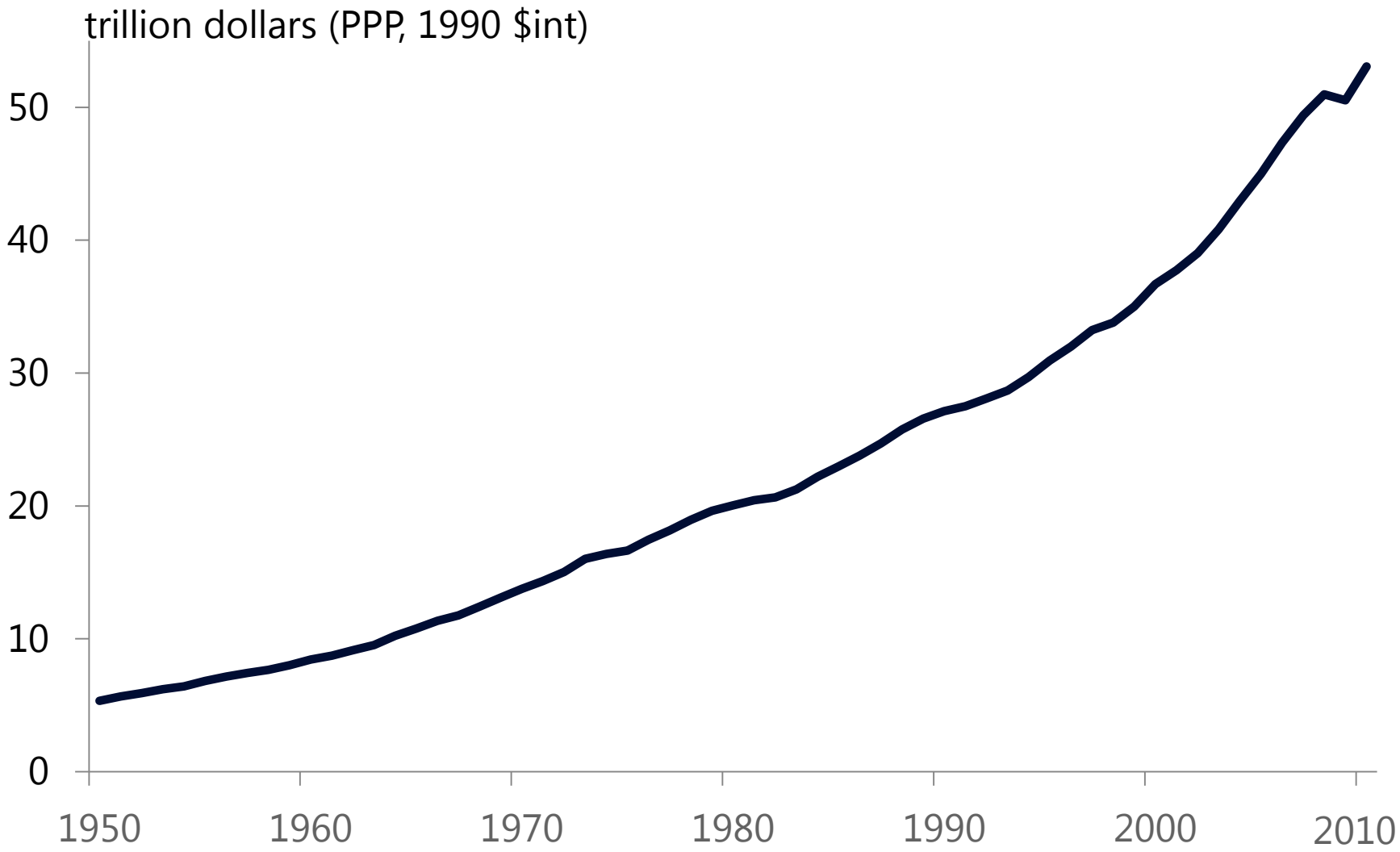
each symbol represents 100 million people



1990: 5.4 billion **2012: 7.2 billion**

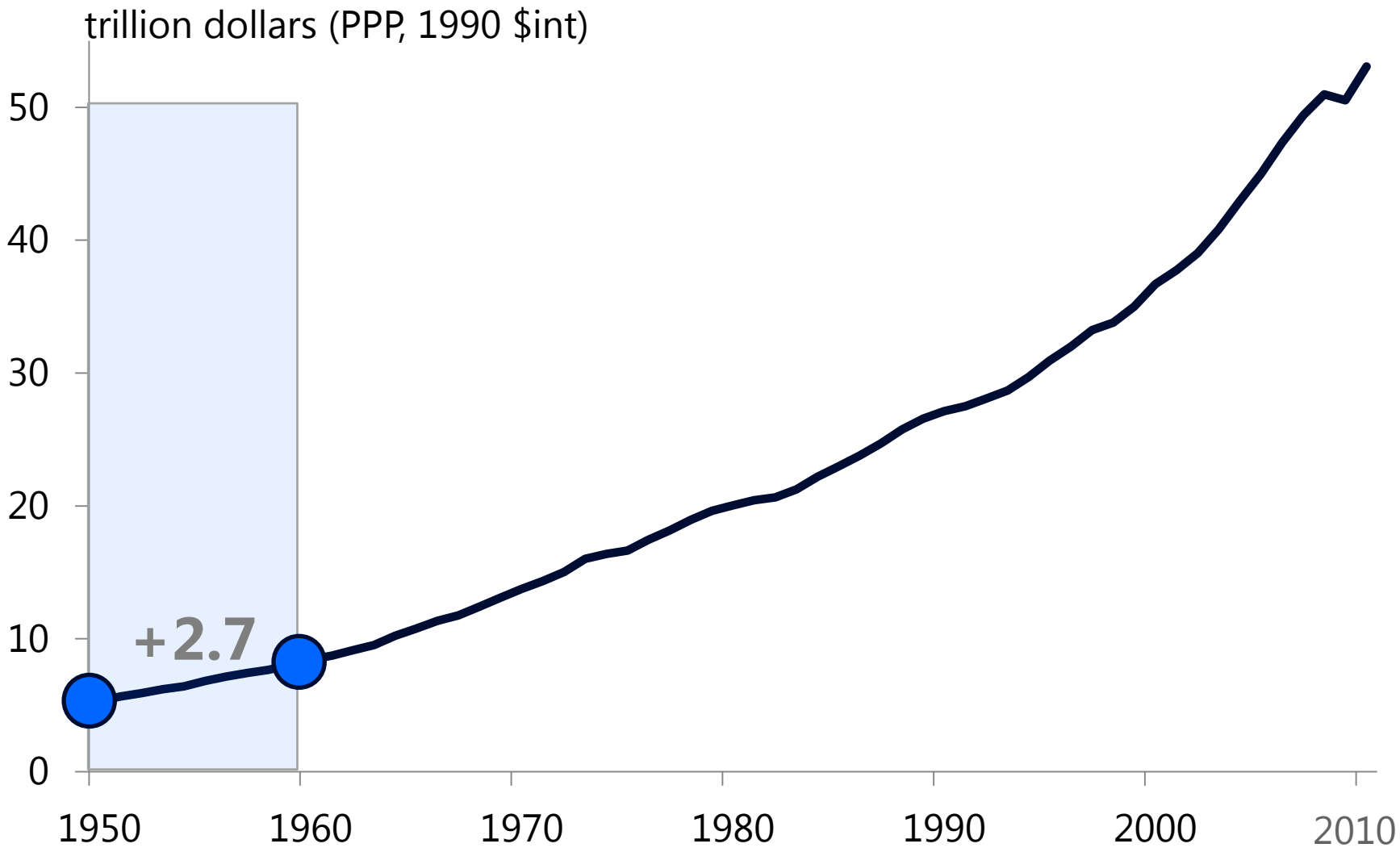
Source: United Nations Population Division

World Economic Growth



Source: Angus Maddison, University of Gronigen

World Economic Growth



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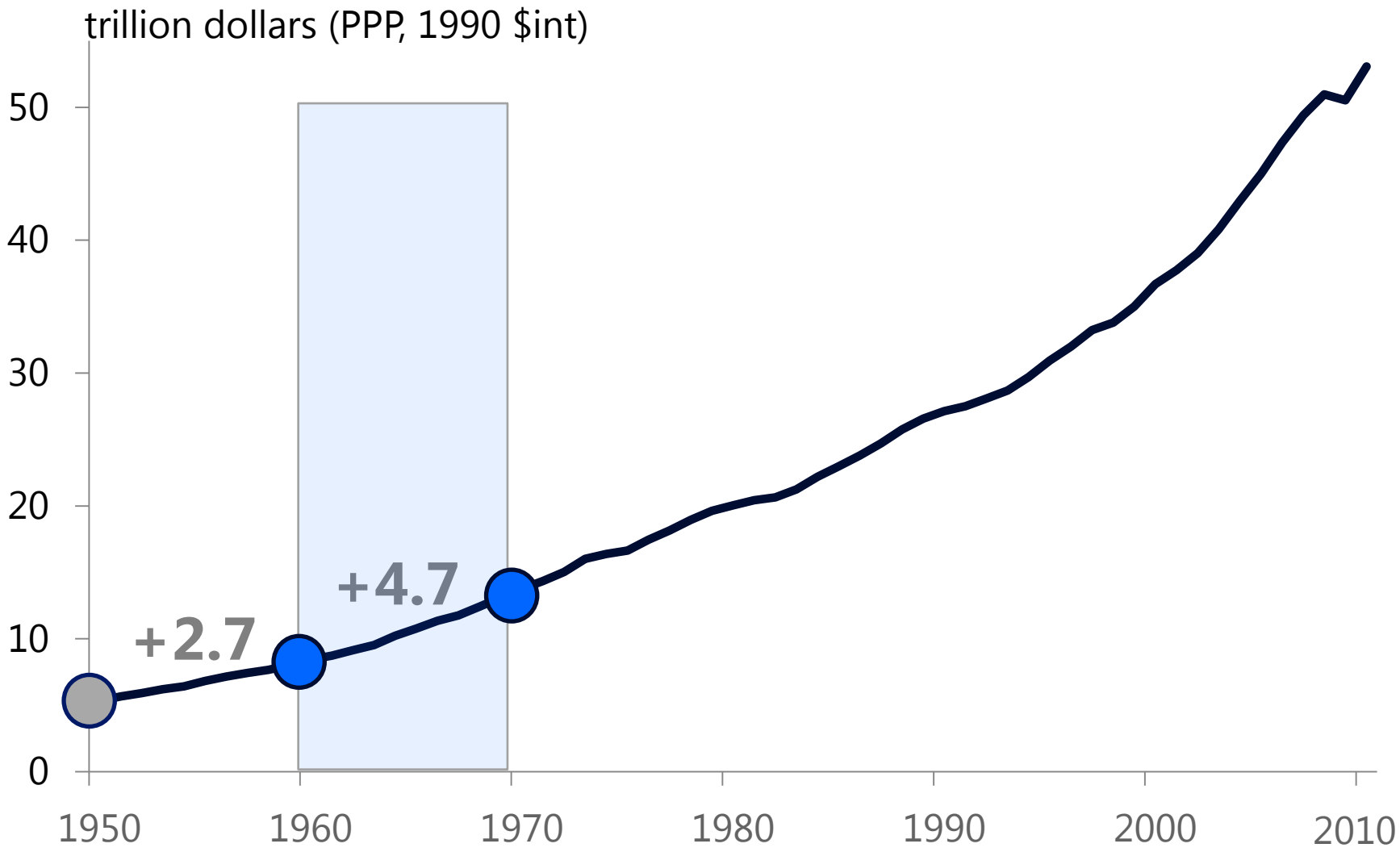
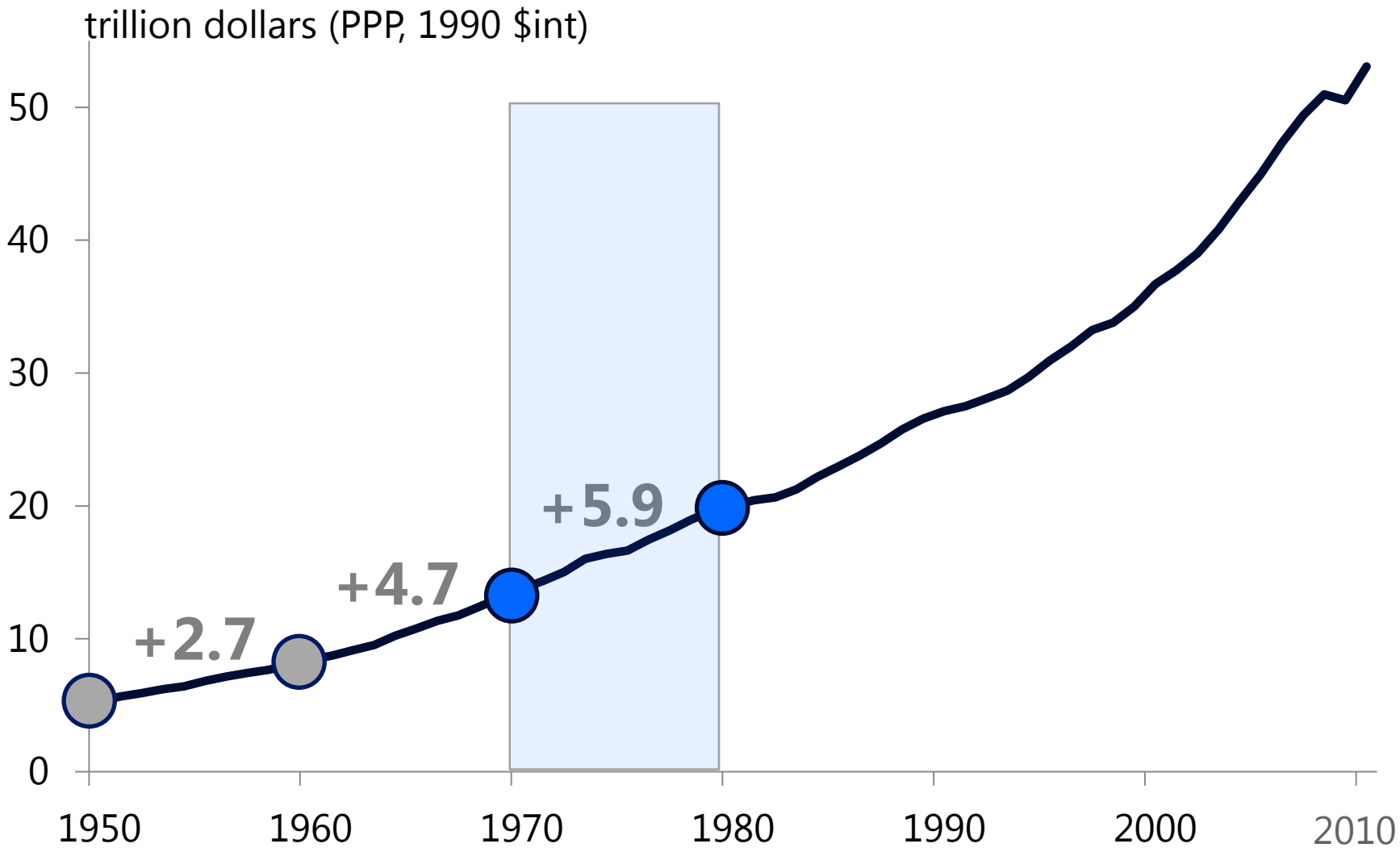
World Economic Growth



Source: Angus Maddison, University of Gronigen

World Economic Growth



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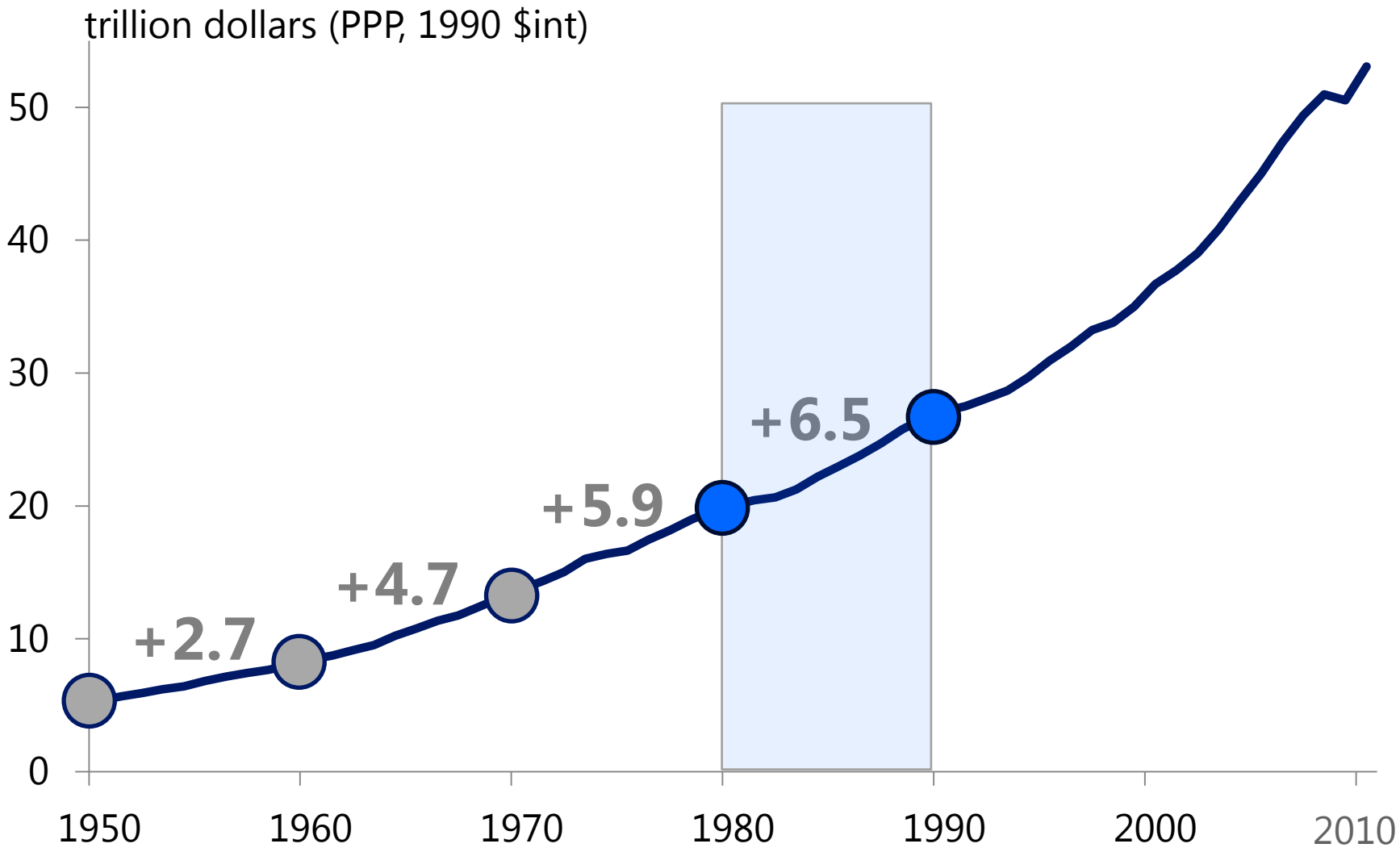
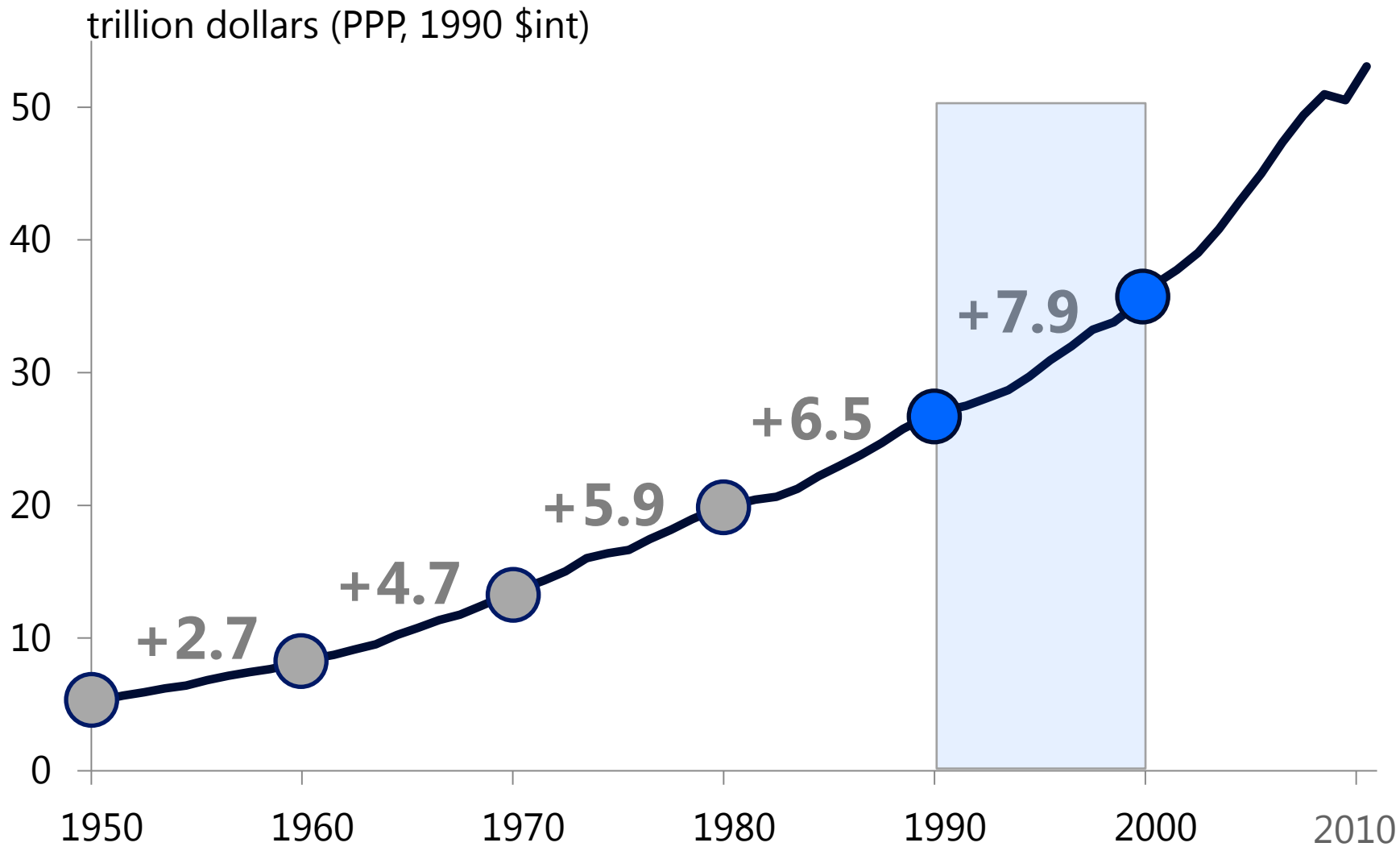
World Economic Growth



Source: Angus Maddison, University of Gronigen

World Economic Growth



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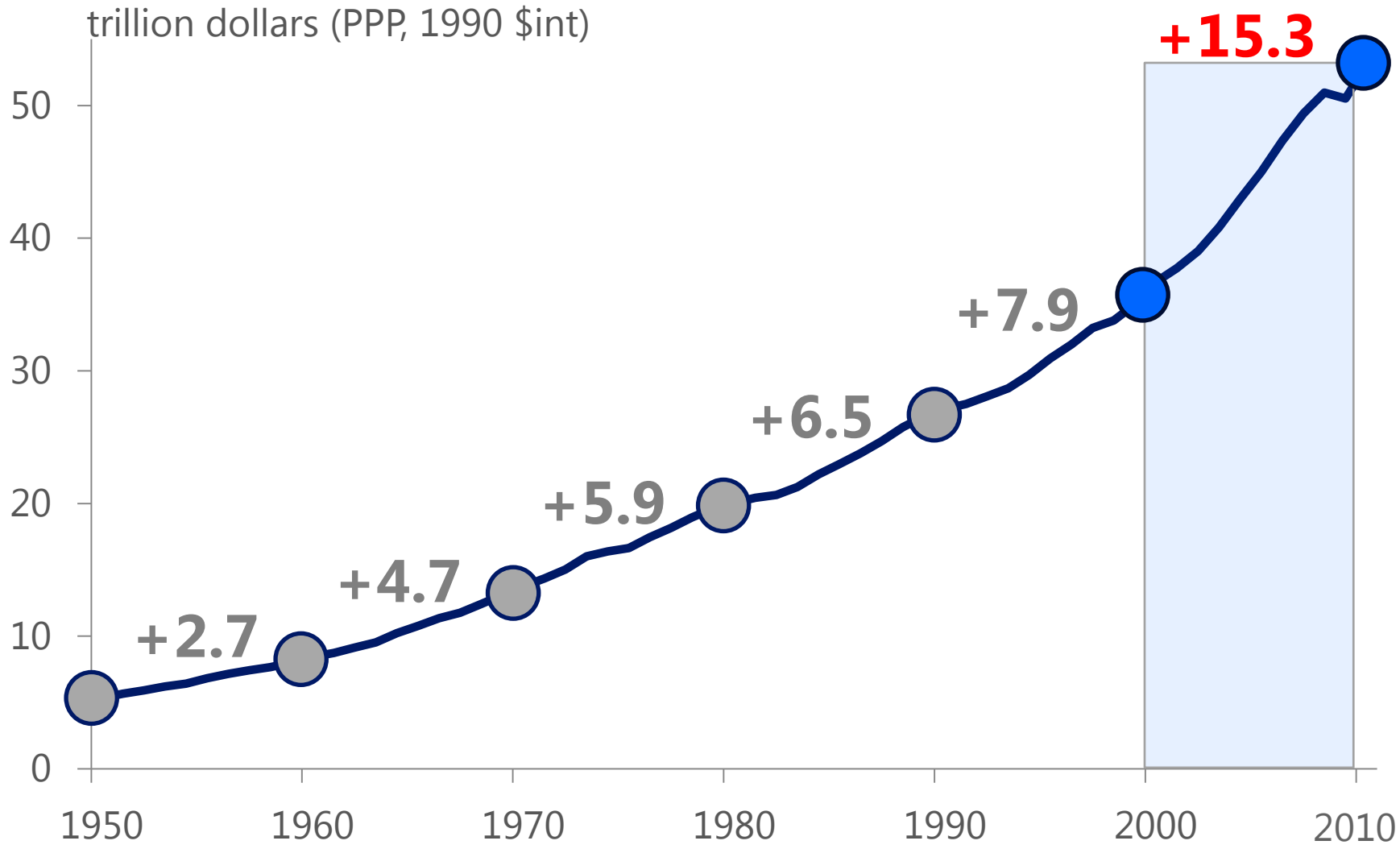
World Economic Growth



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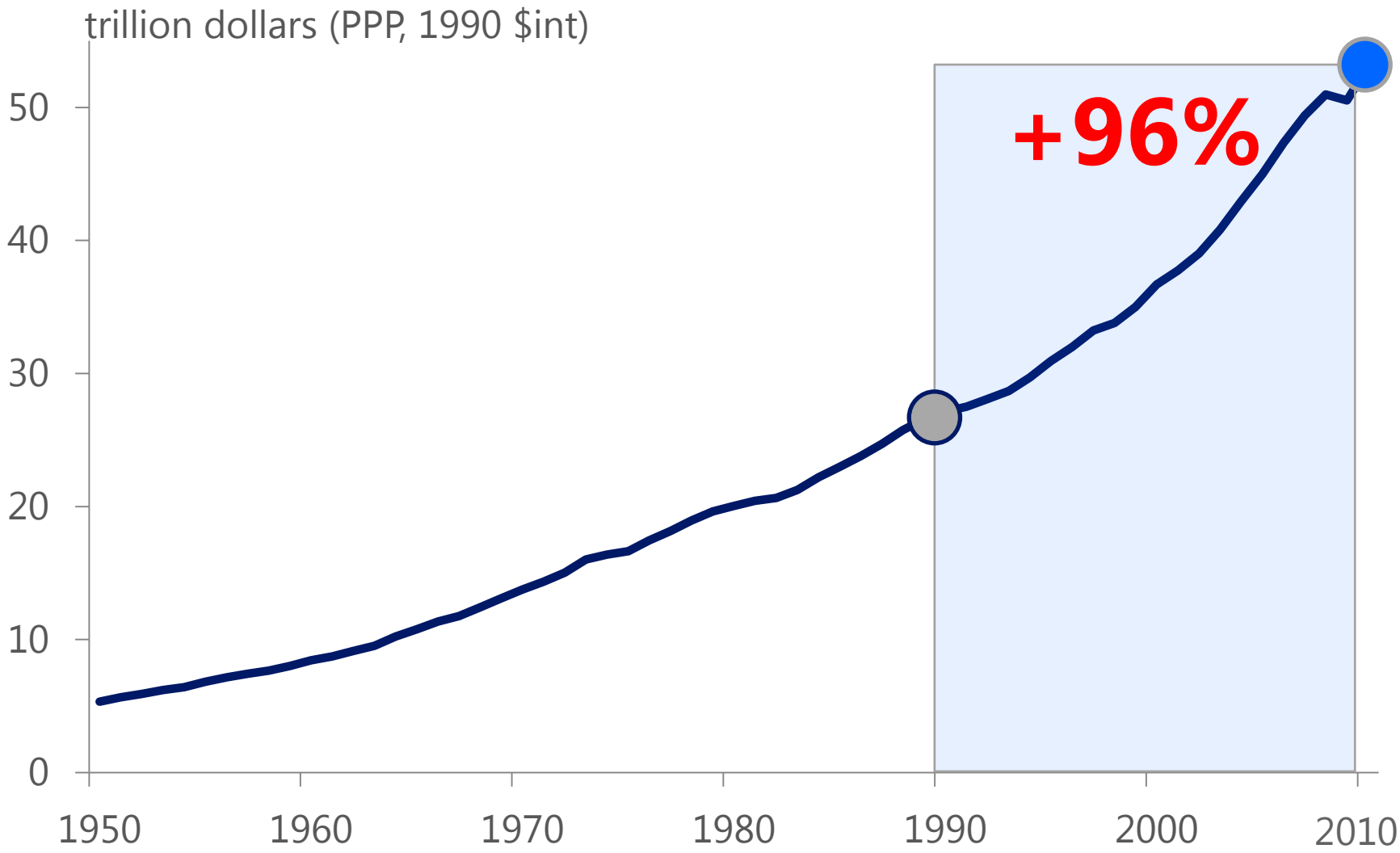
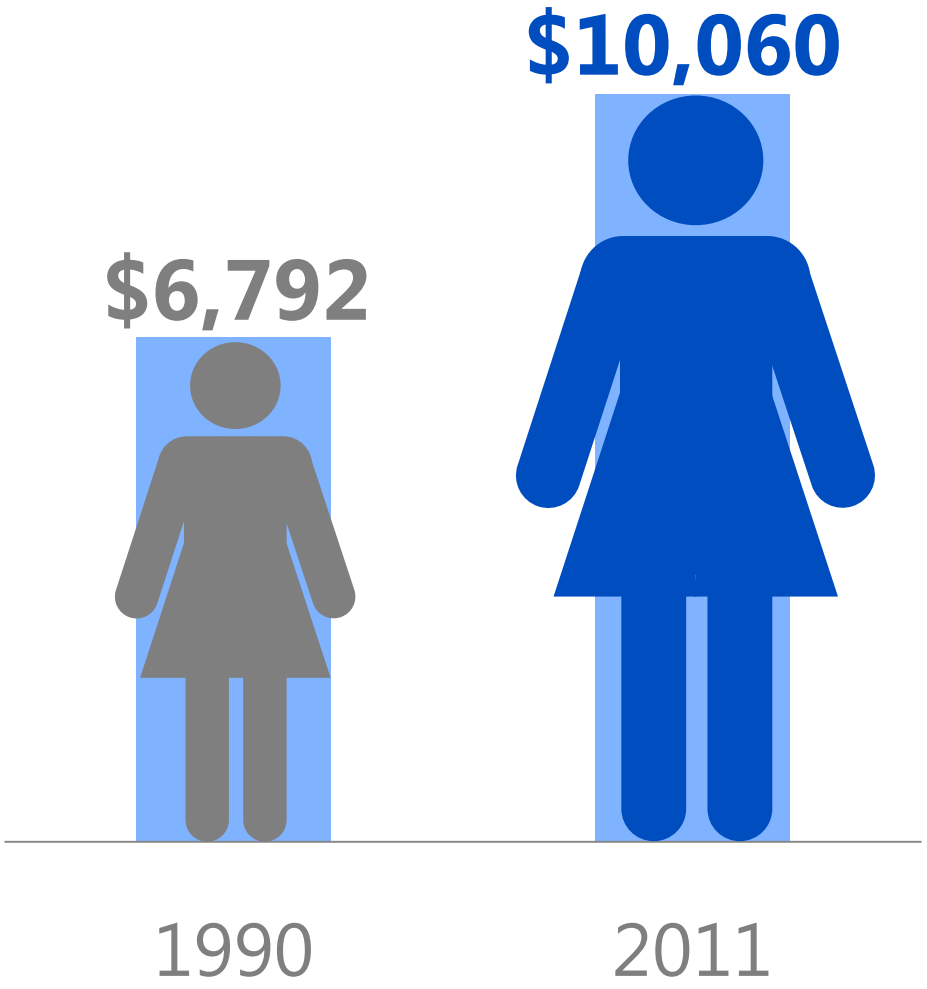
World Economic Growth



Source: Angus Maddison, University of Gronigen

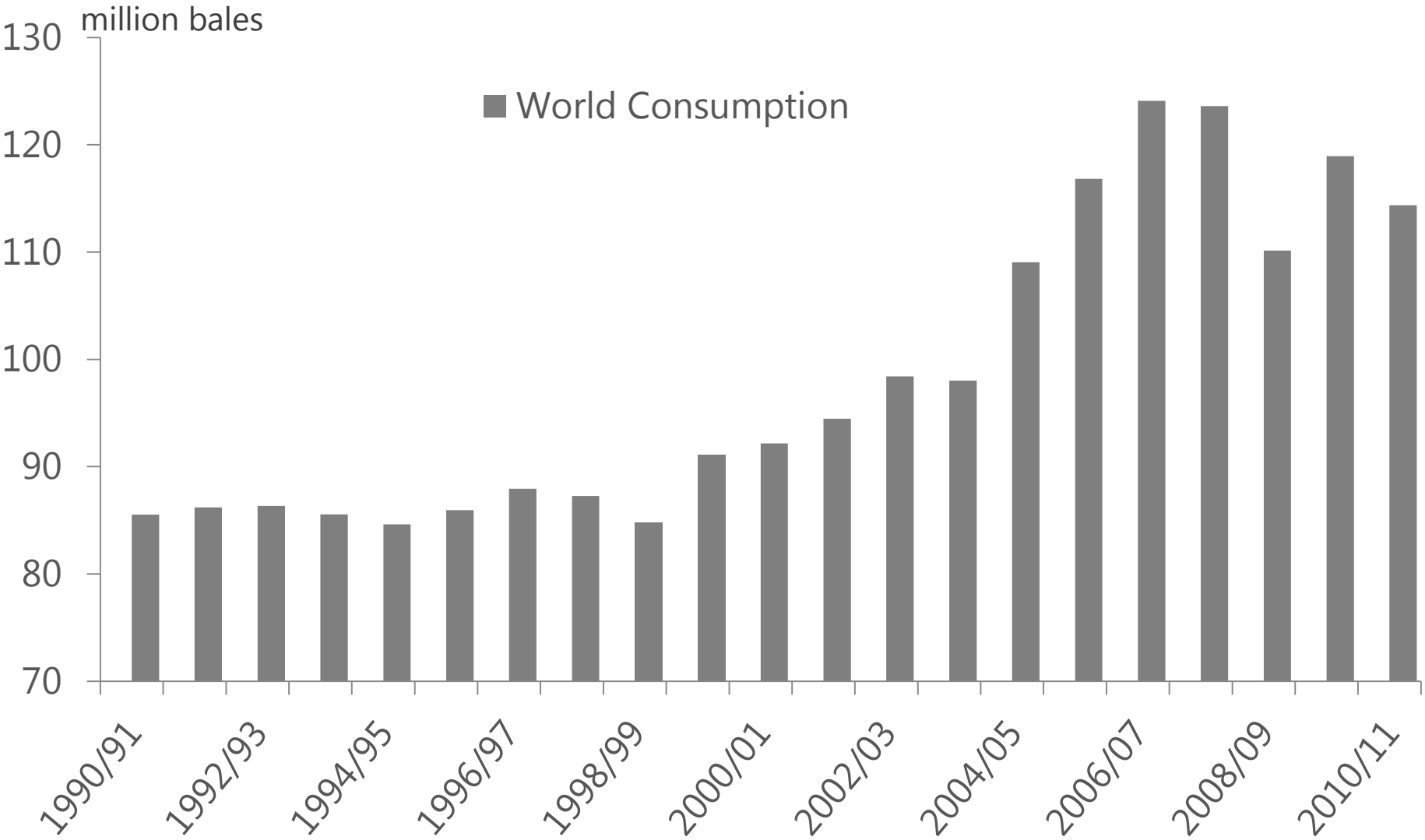
More Crowded & More Wealthy

world GDP per capita (PPP, constant 2005 $Int)



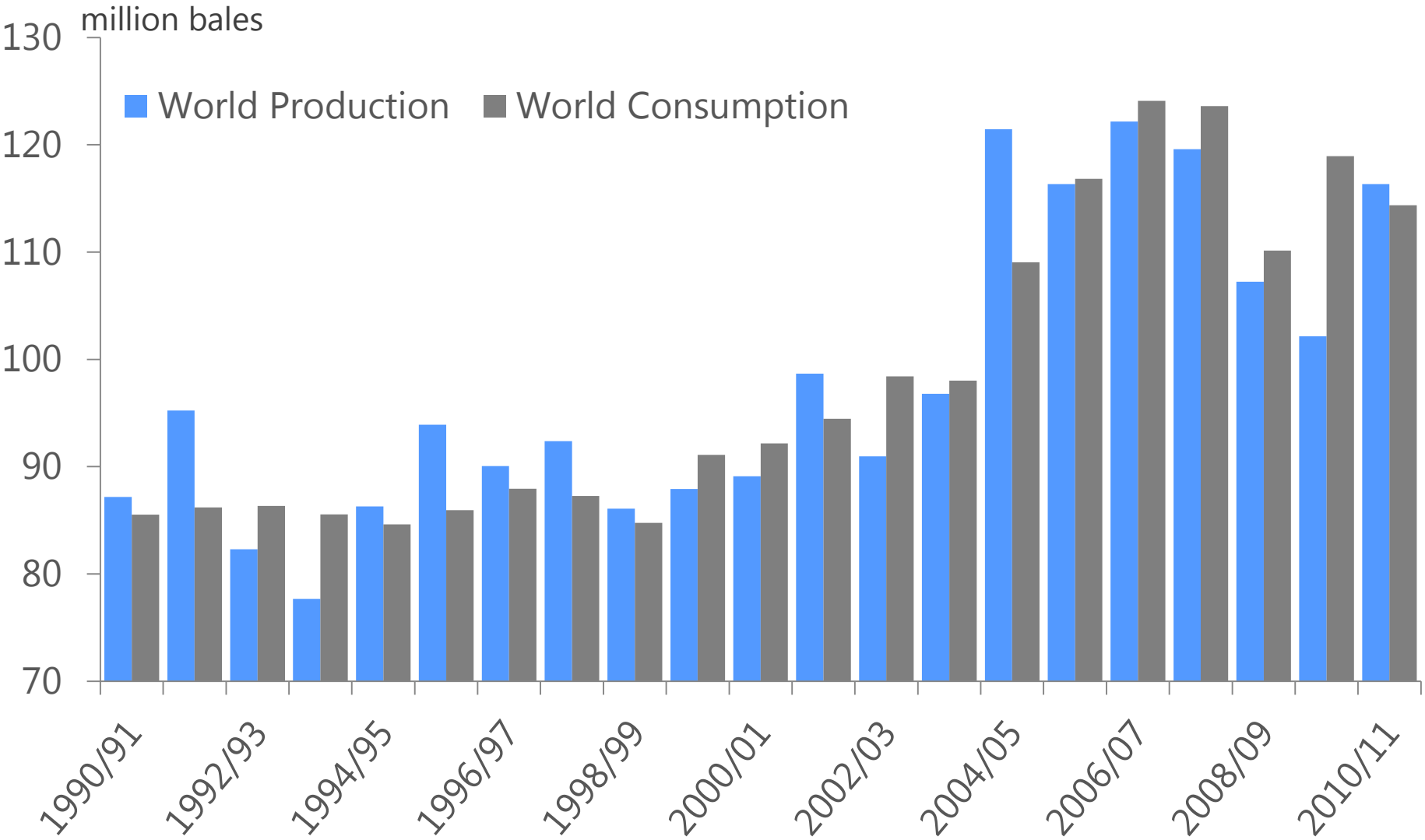
Source: World Bank

Cotton Demand Moves Higher



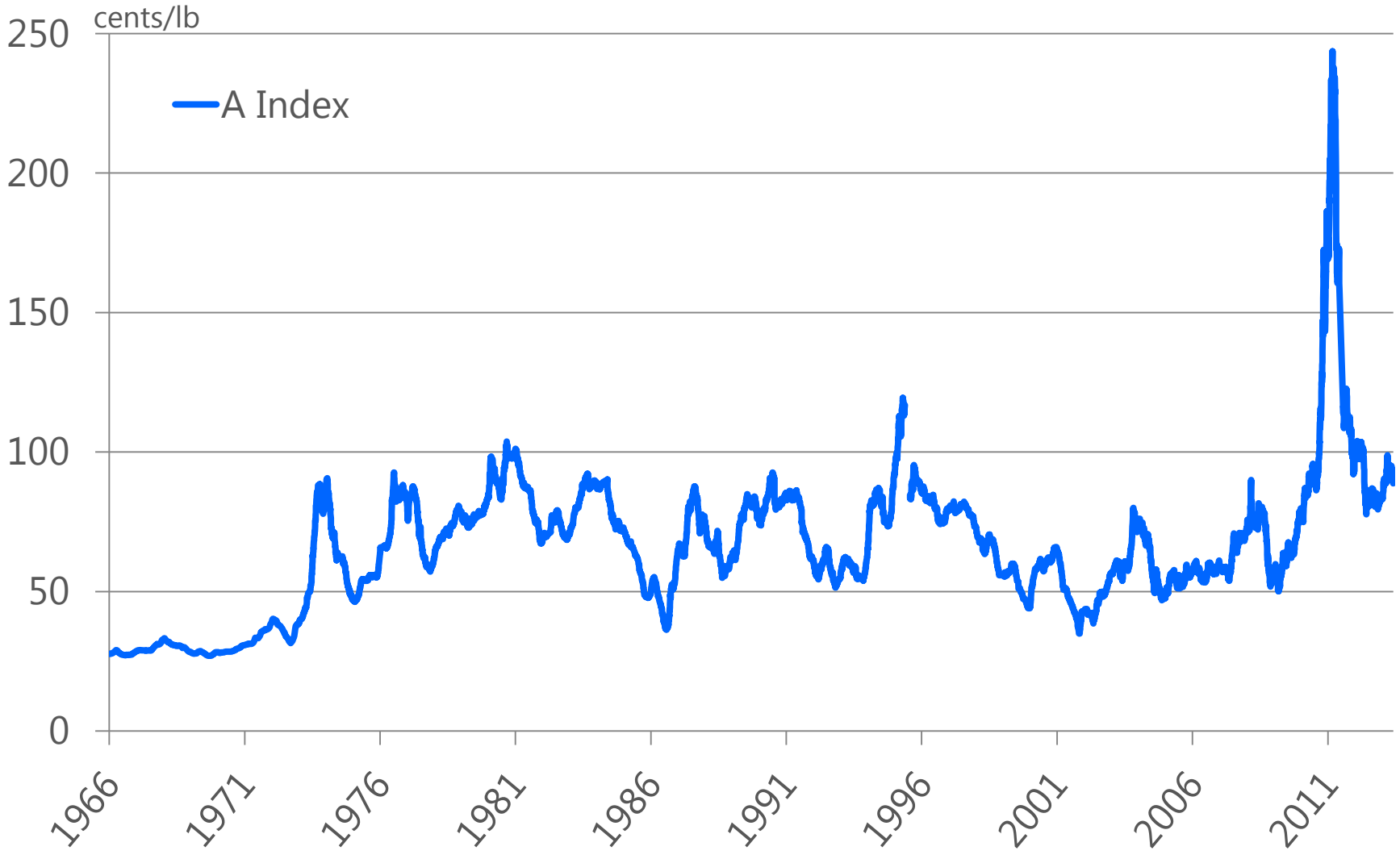
Source: USDA

Cotton Demand Moves Higher, Helped by Yield Growth



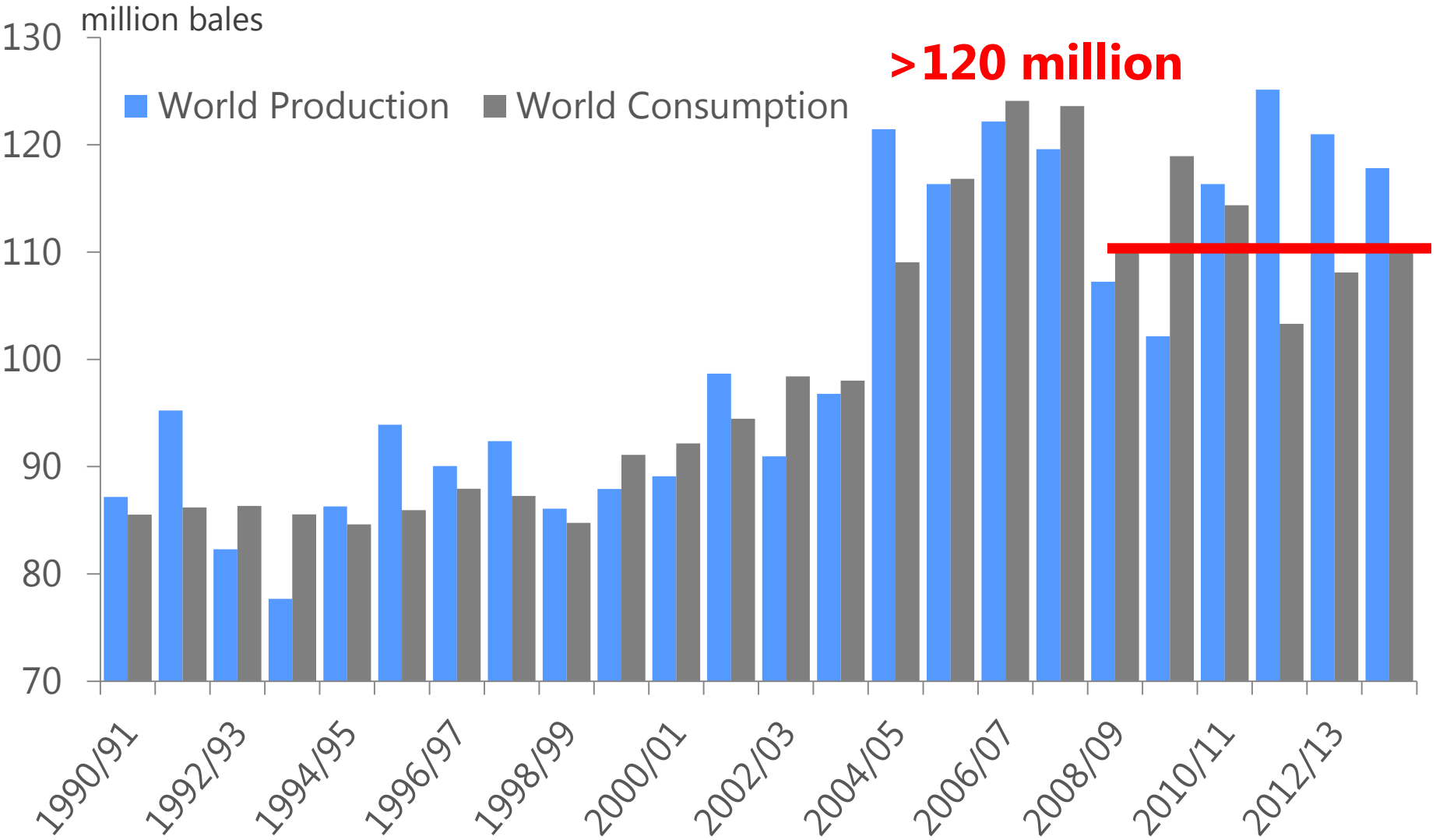
Source: USDA

Record Prices & Volatility



Source: Cotlook

Cotton Demand Retreats



Source: USDA

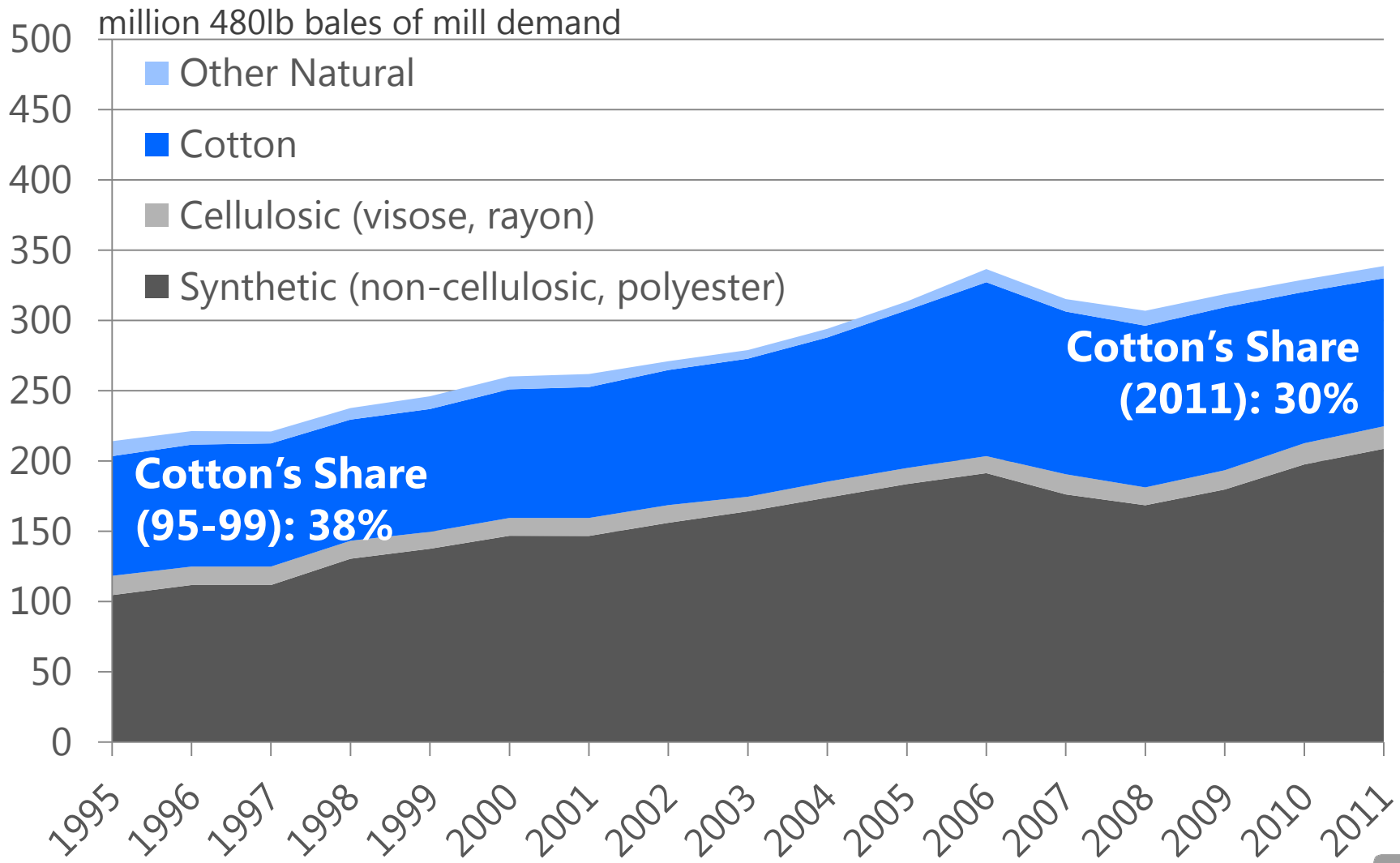
Presentation Objectives

Overview of the global fiber market

Highlight current & future challenges for cotton

Provide context for consumer-driven discussion

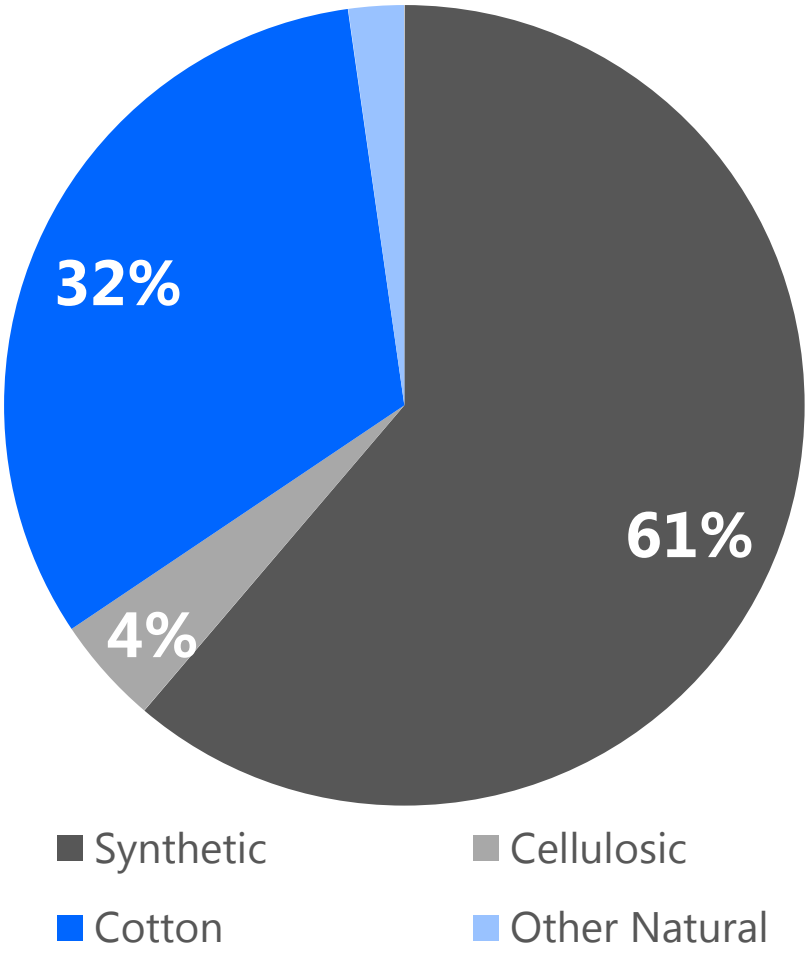
Global Fiber Market



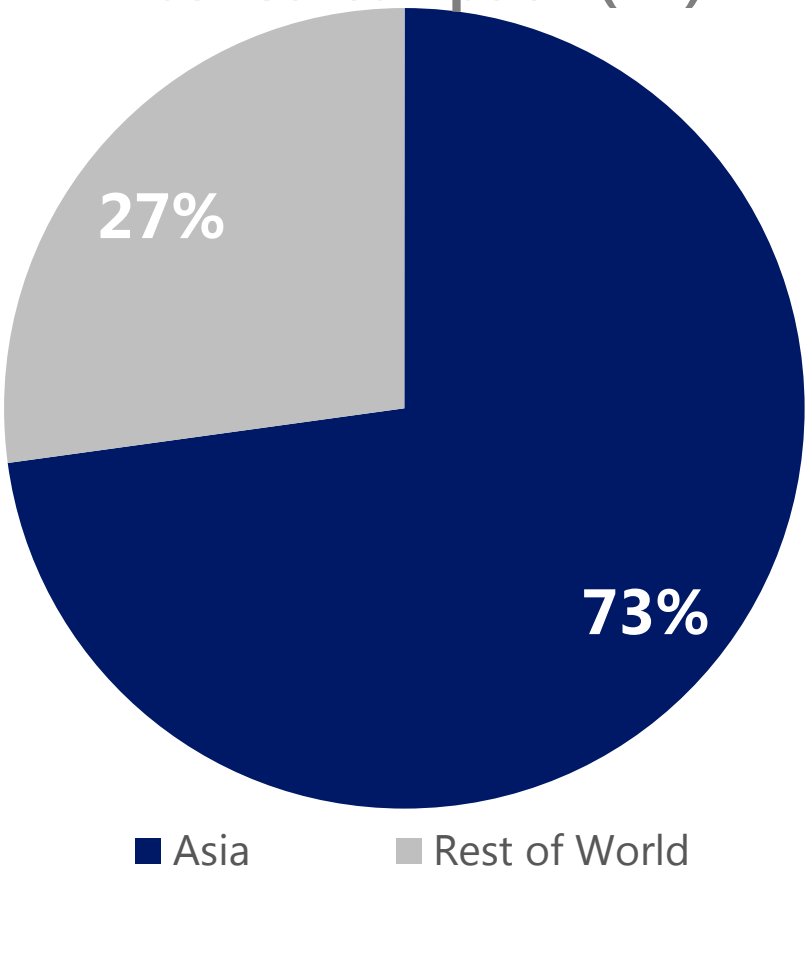
Source: Fiber Organon

Global Fiber Consumption

Share of Global Fiber Market



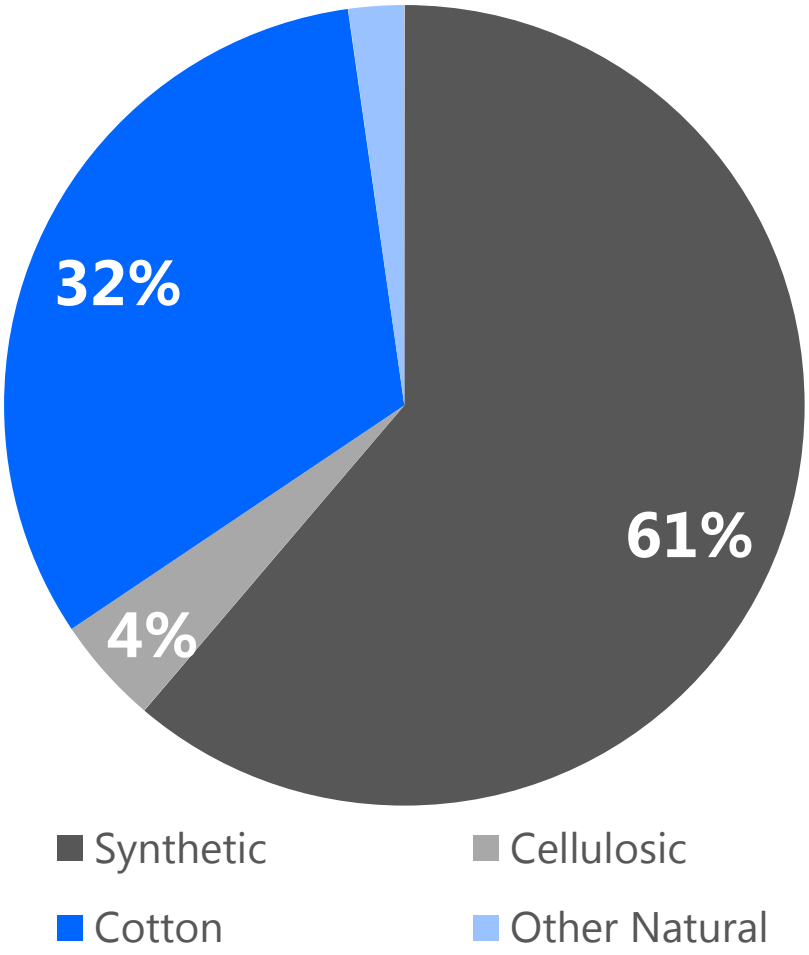
Distribution of Global Fiber Consumption (All)



Source: Fiber Organon, all data for 2011 (latest available)

Global Fiber Consumption

Share of Global Fiber Market



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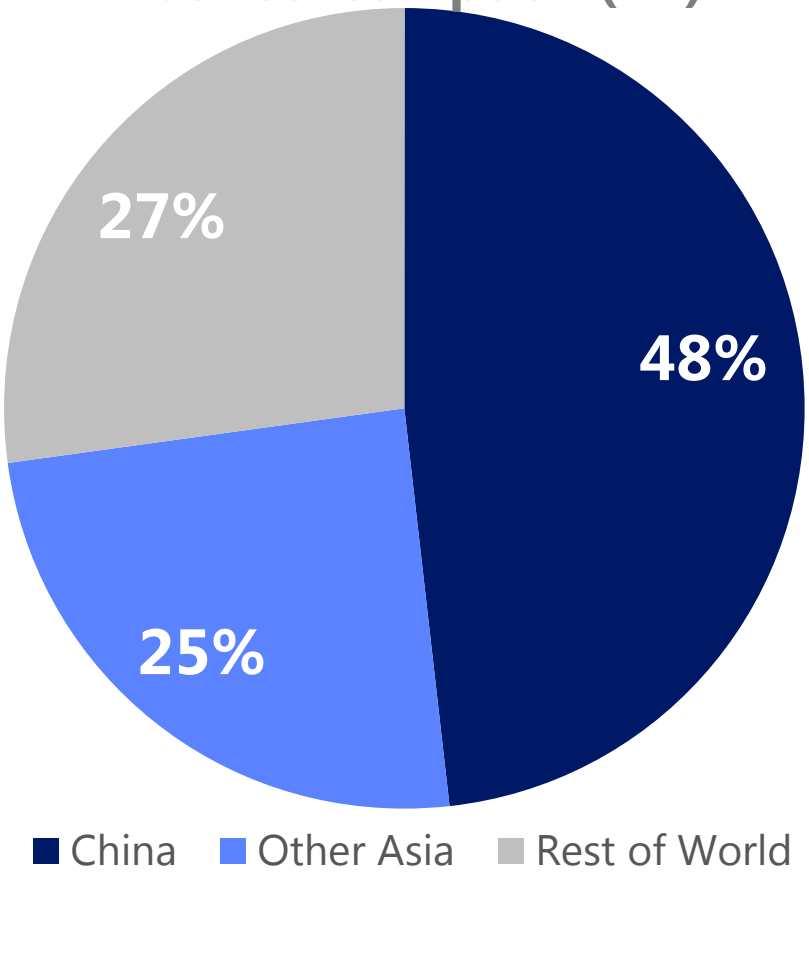
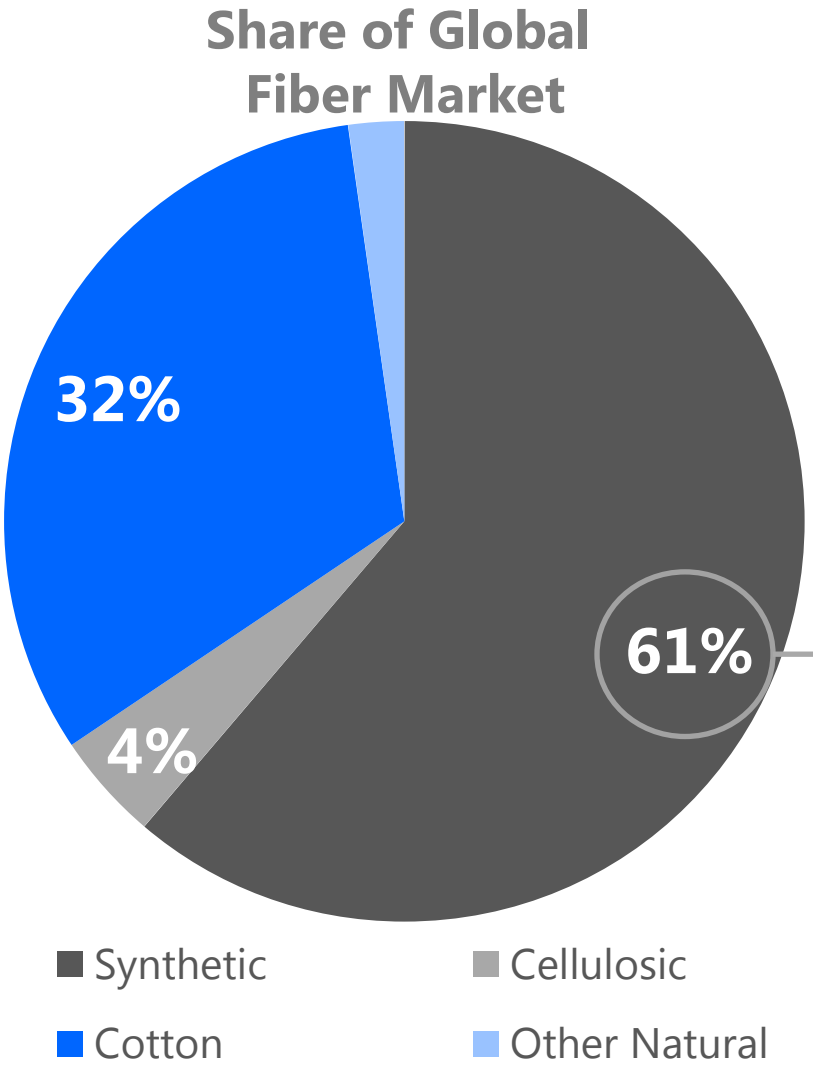
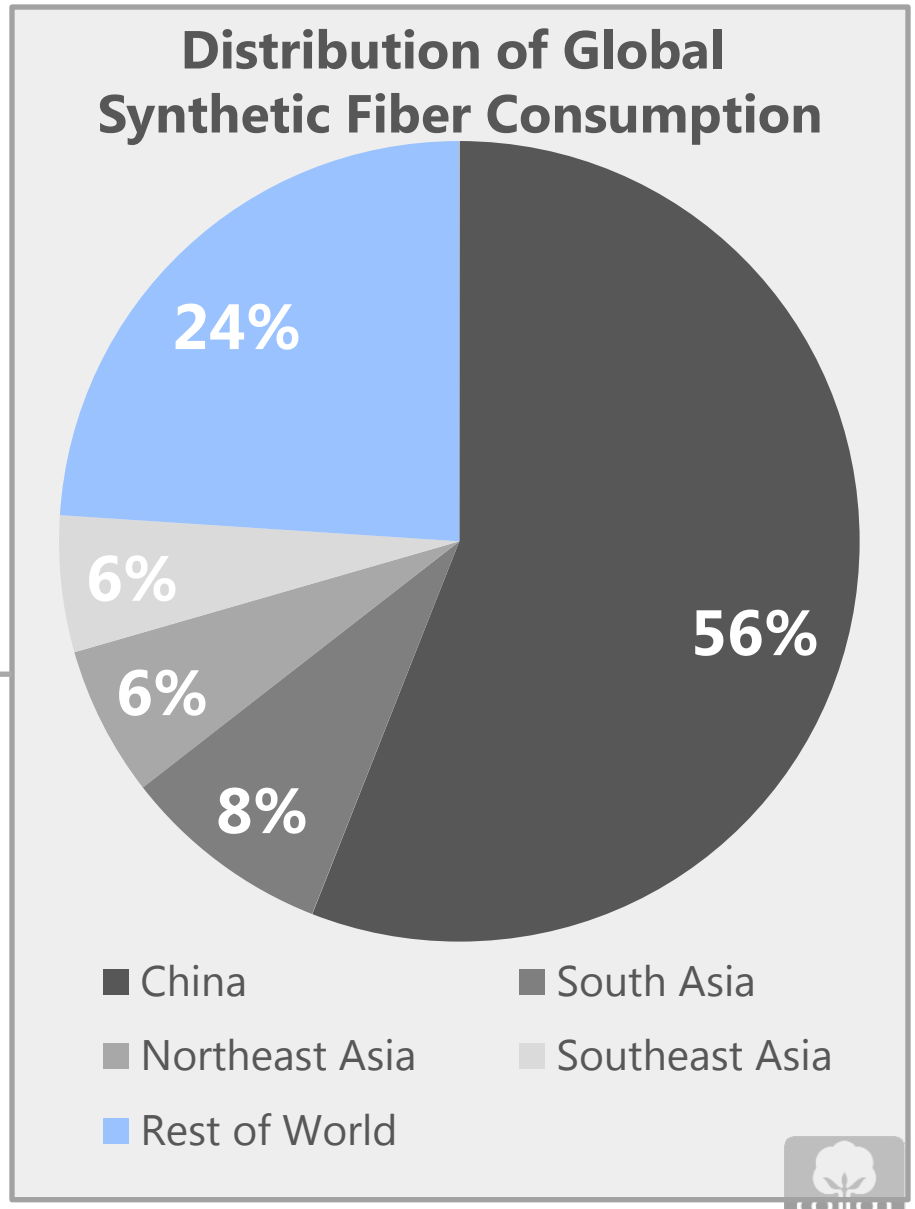


Source: Fiber Organon, all data for 2011 (latest available)

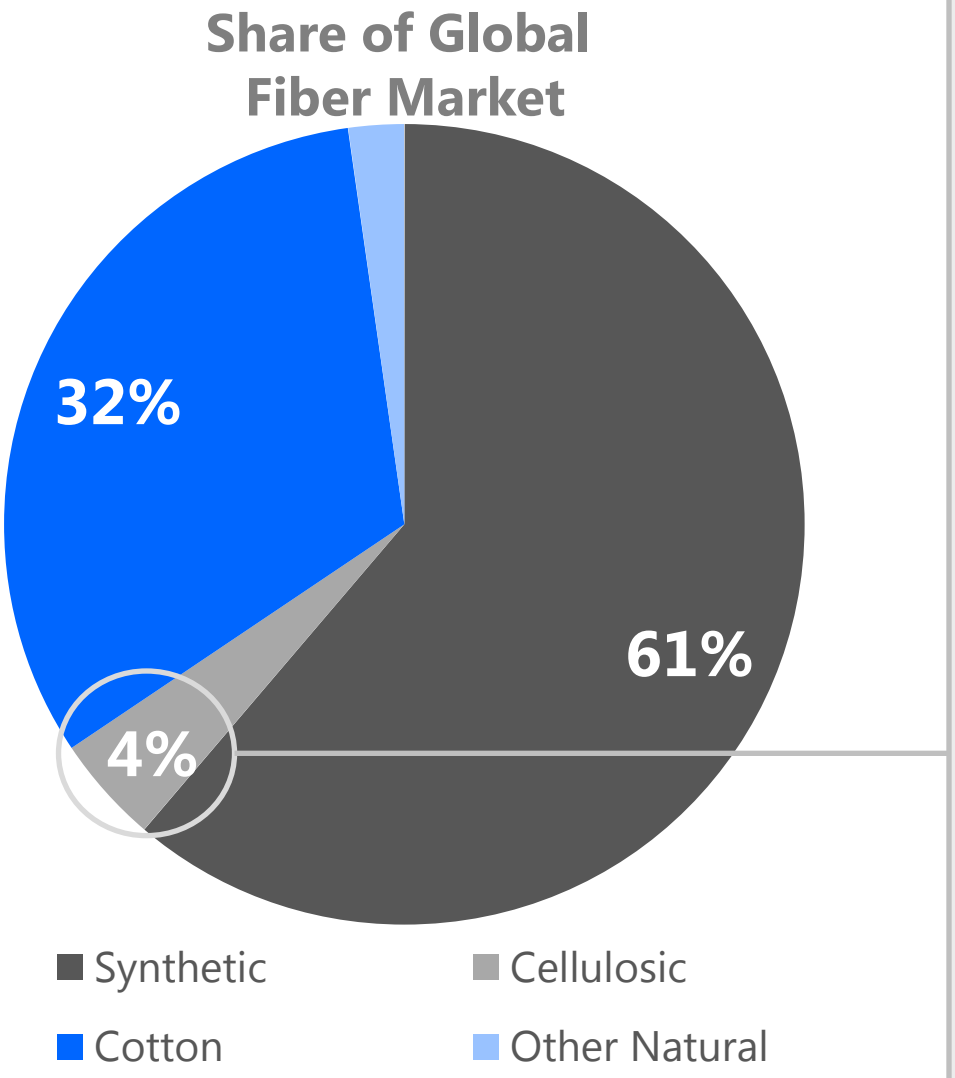
Global Fiber Consumption: Synthetics

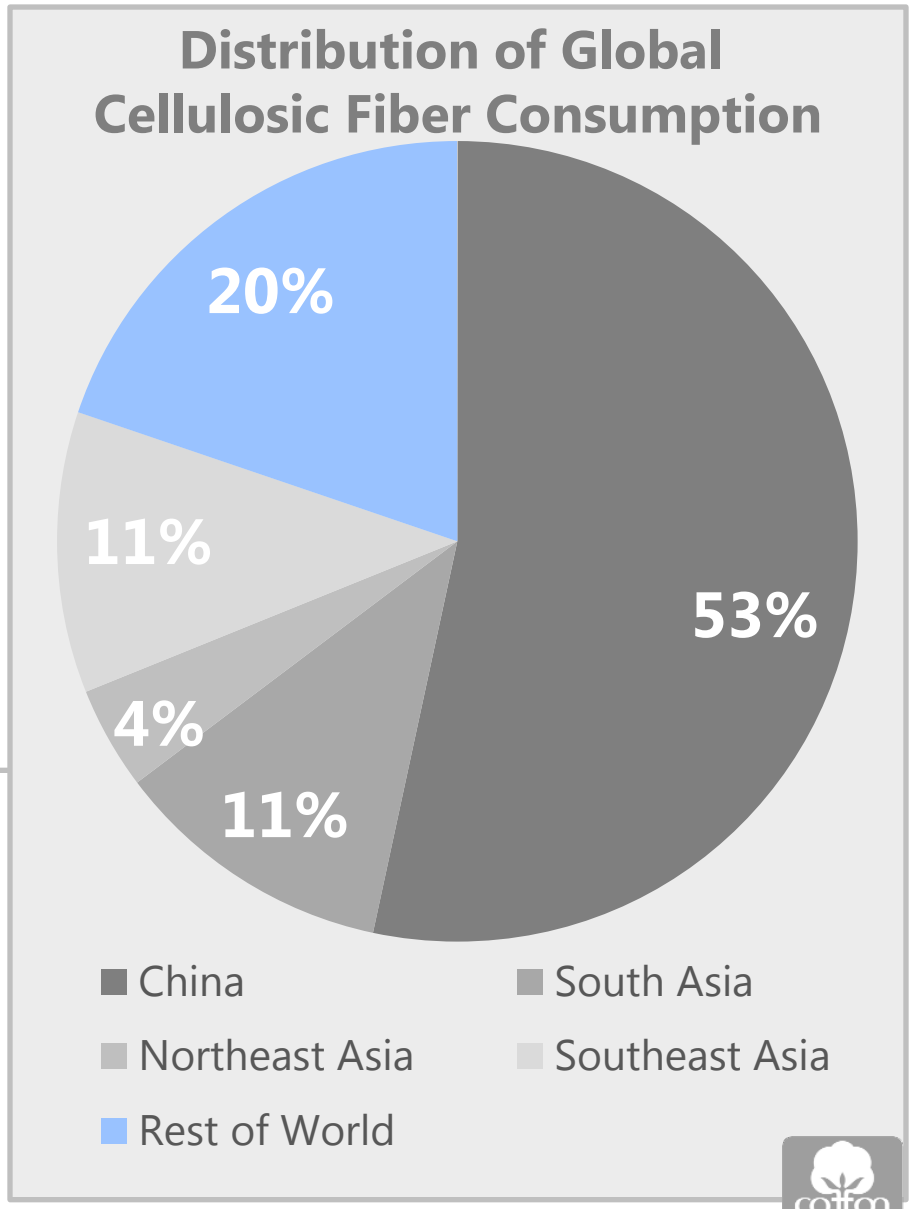




Source: Fiber Organon, all data for 2011 (latest available)
Note: China includes Hong Kong, South Asia is the Indian sub-continent, Northeast Asia is Taiwan, Japan, South Korea.

Global Fiber Consumption: Cellulosic





Source: Fiber Organon, all data for 2011 (latest available)
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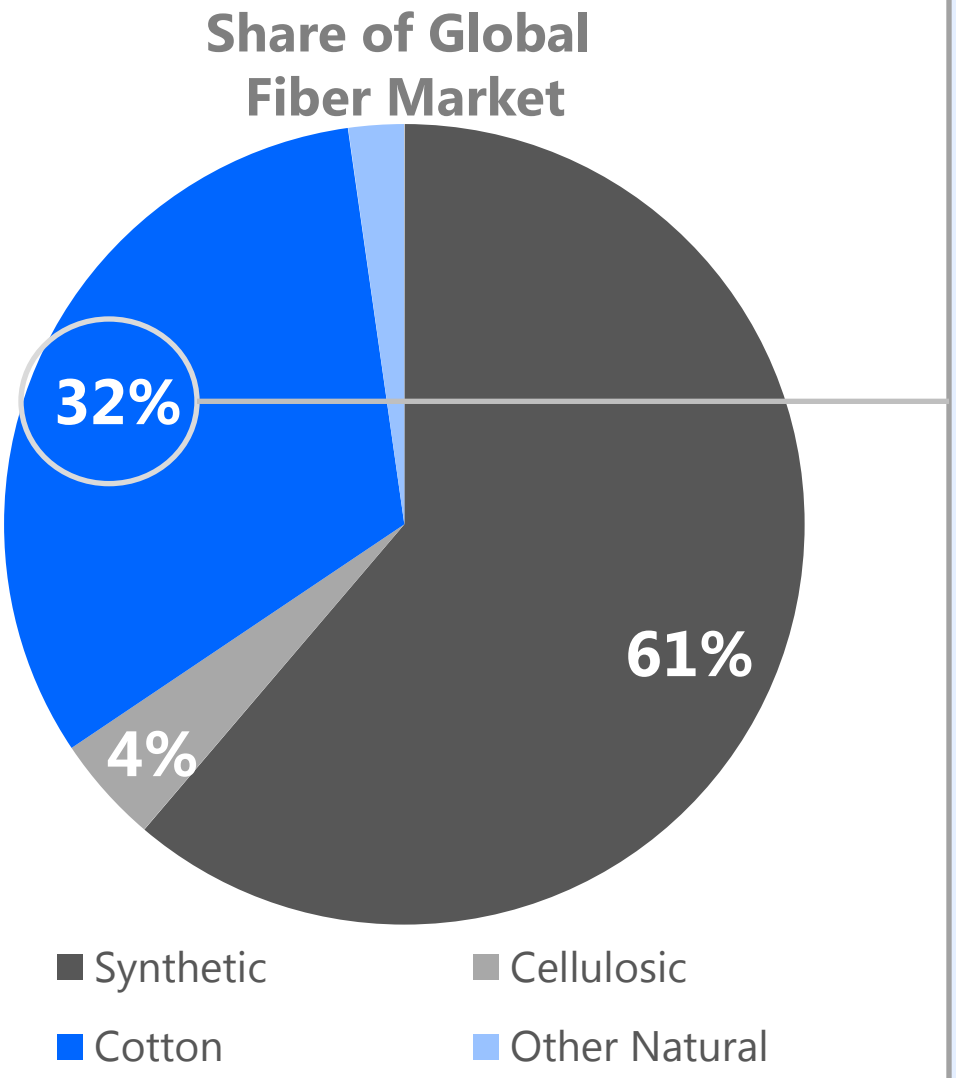
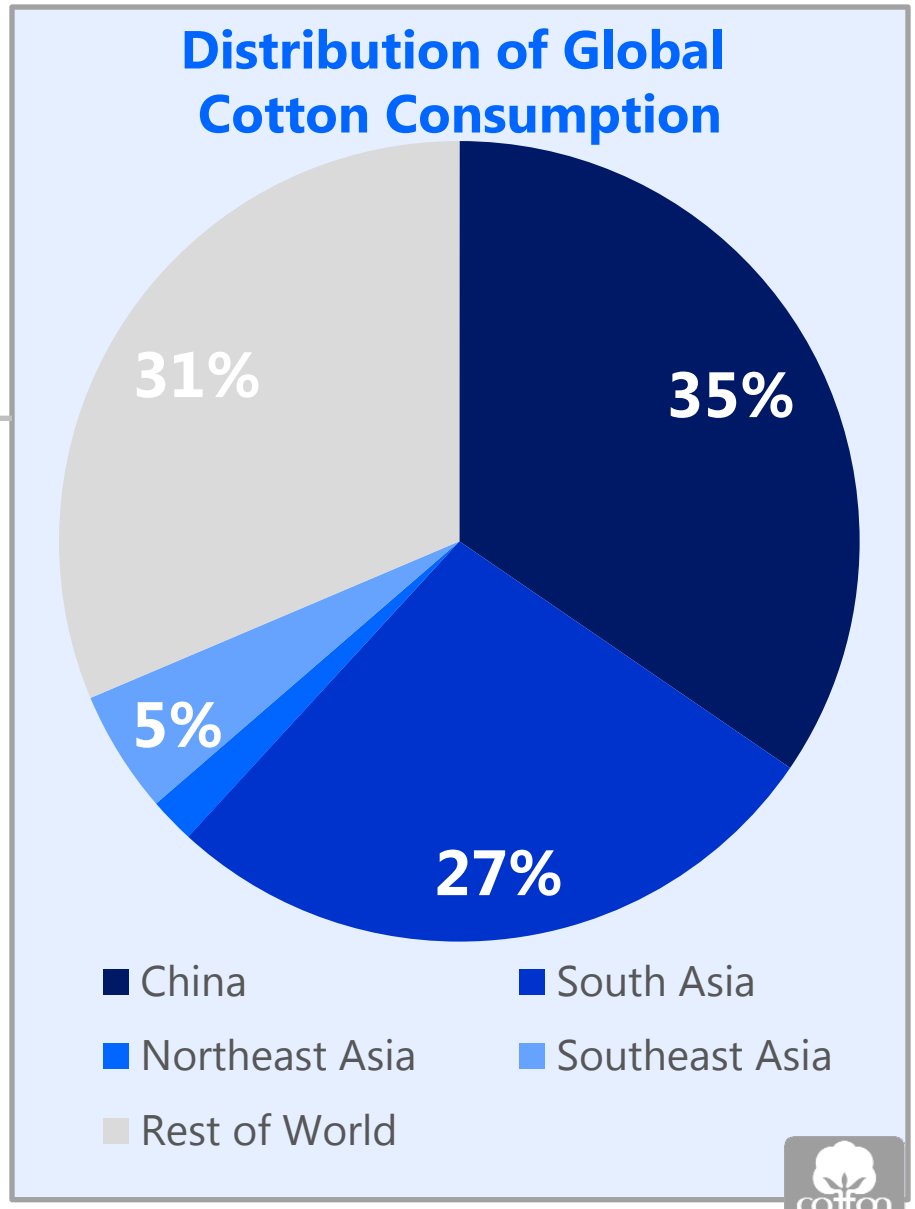
Global Fiber Consumption: Cotton





Source: Fiber Organon, all data for 2011 (latest available)
Note: China includes Hong Kong, South Asia is the Indian sub-continent, Northeast Asia is Taiwan, Japan, South Korea.

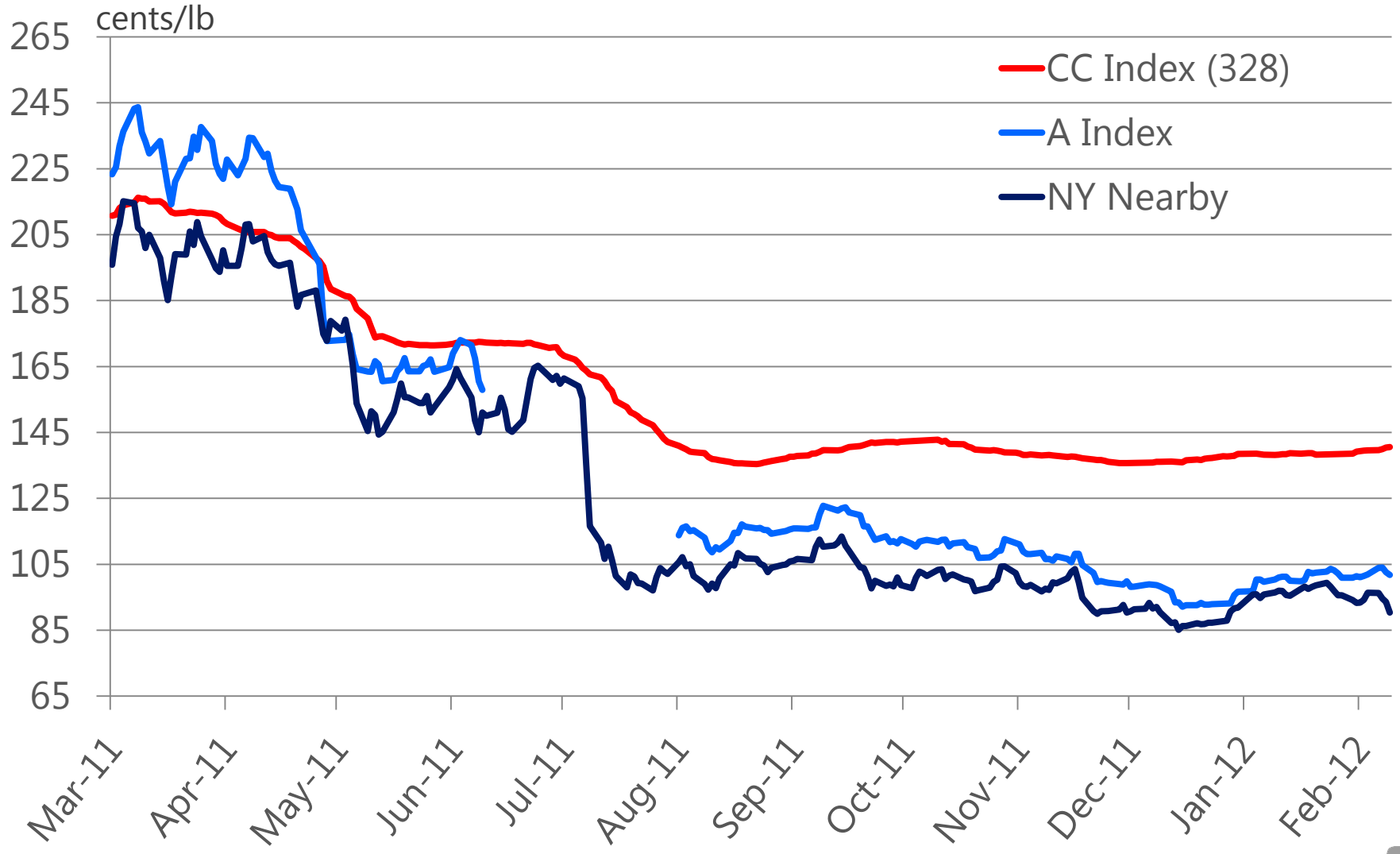
Challenge of Chinese Policy

Guarantees high domestic prices with reserve purchases

Limits access to international markets with import quotas

Forced domestic prices to record premiums relative to global prices

Effects of Chinese Policy on Cotton Prices



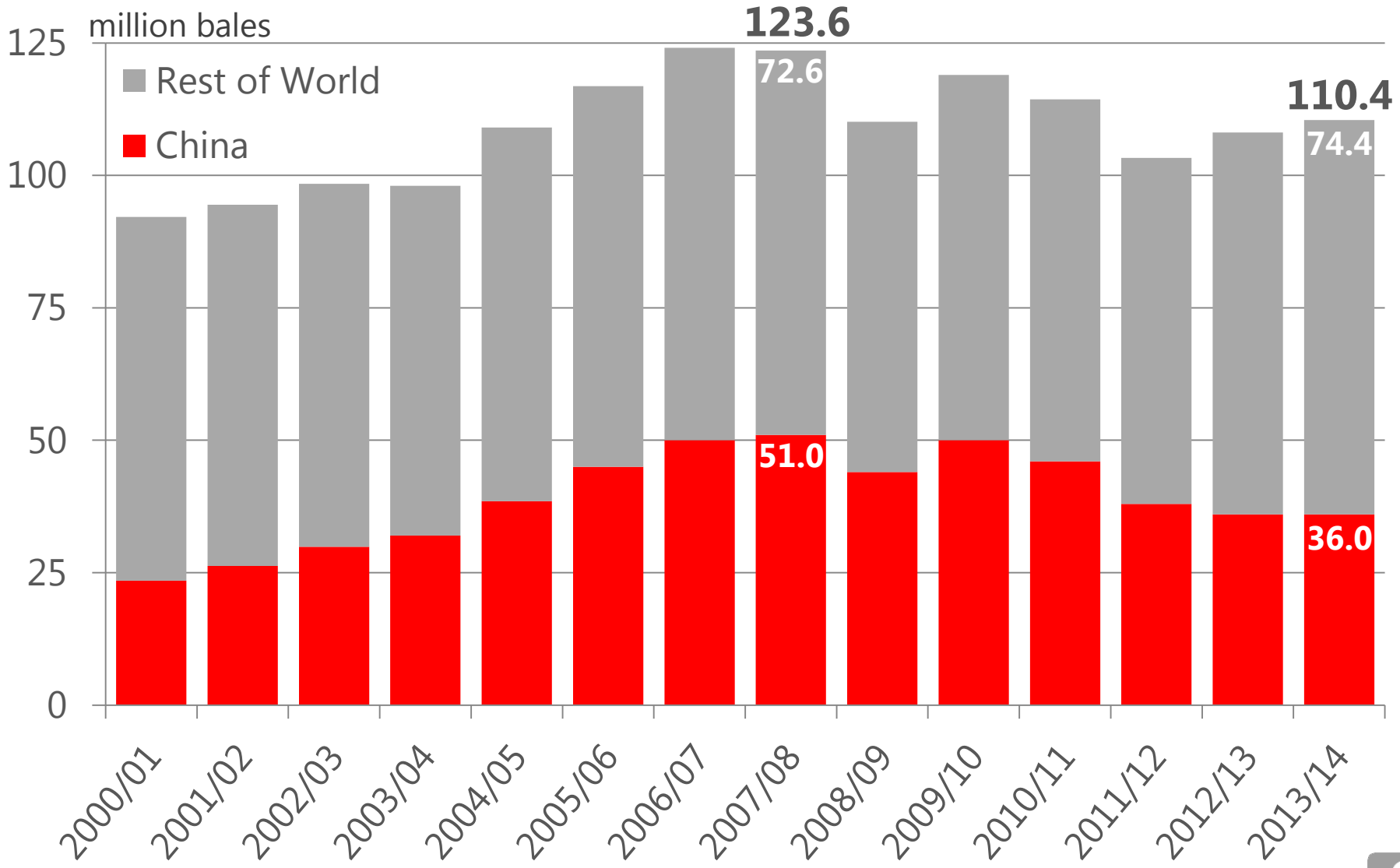
Sources: Cotlook, Reuters, Emerging Textiles

Effects of Chinese Policy on Cotton Prices

	Average Price Ratio	
	2006/07-2009/10	2012/13
A Index over Chinese polyester	1.03	1.11
CC Index over Chinese polyester	1.32	**1.78**
A Index over Chinese viscose	0.63	0.84
CC Index over Chinese viscose	0.80	**1.33**

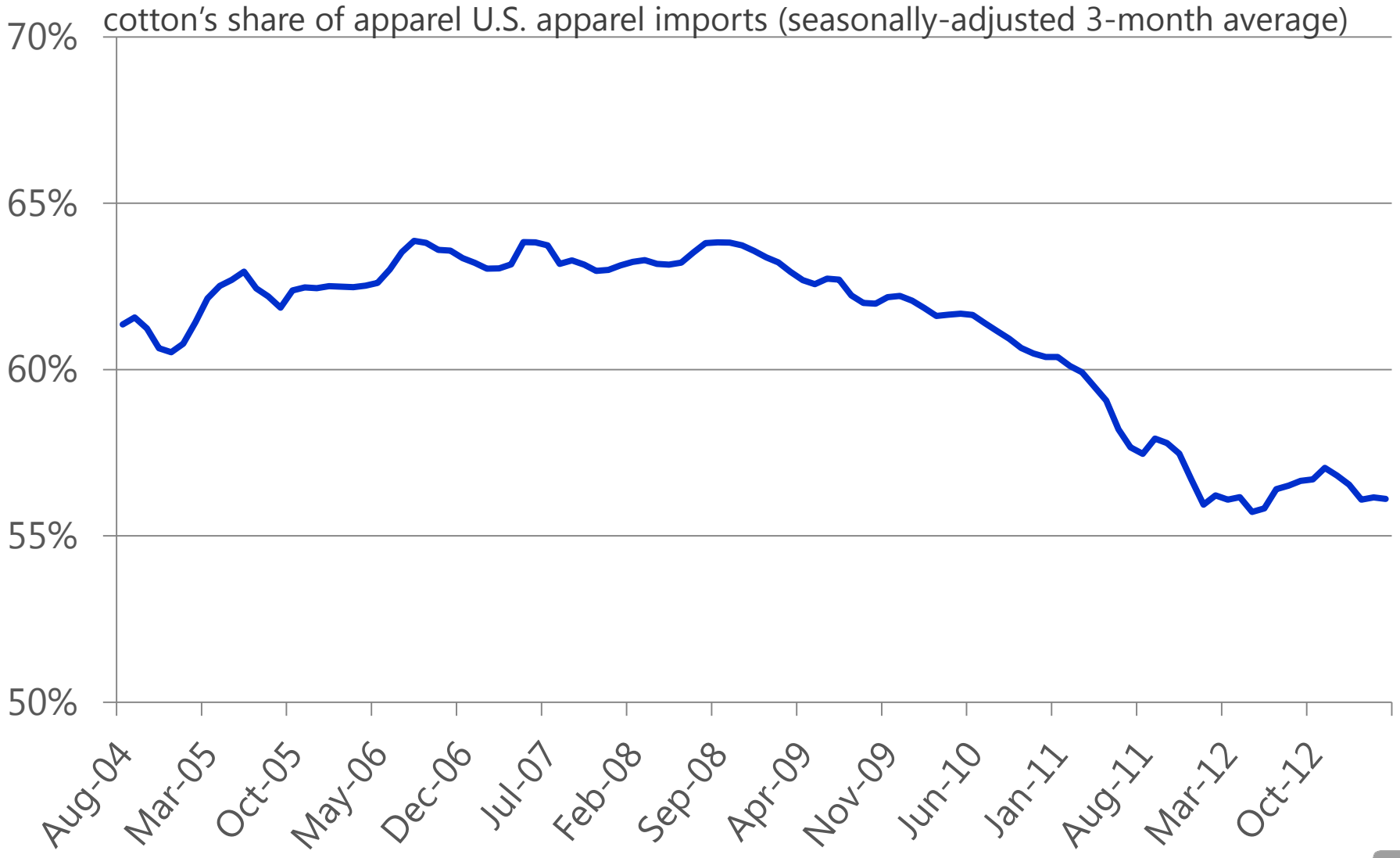
Sources: Cotlook, Reuters, Emerging Textiles

Effects of Chinese Policy on Consumption



Source: USDA

Loss of Share in Apparel



Source: USDA ERS, imports in terms of bale equivalence

Presentation Summary

Opportunity for demand growth from a more crowded and more wealthy planet

Price-related challenge for acreage

Price-related challenge for market share

Consumer preferences for cotton are critical for demand growth with price pressures

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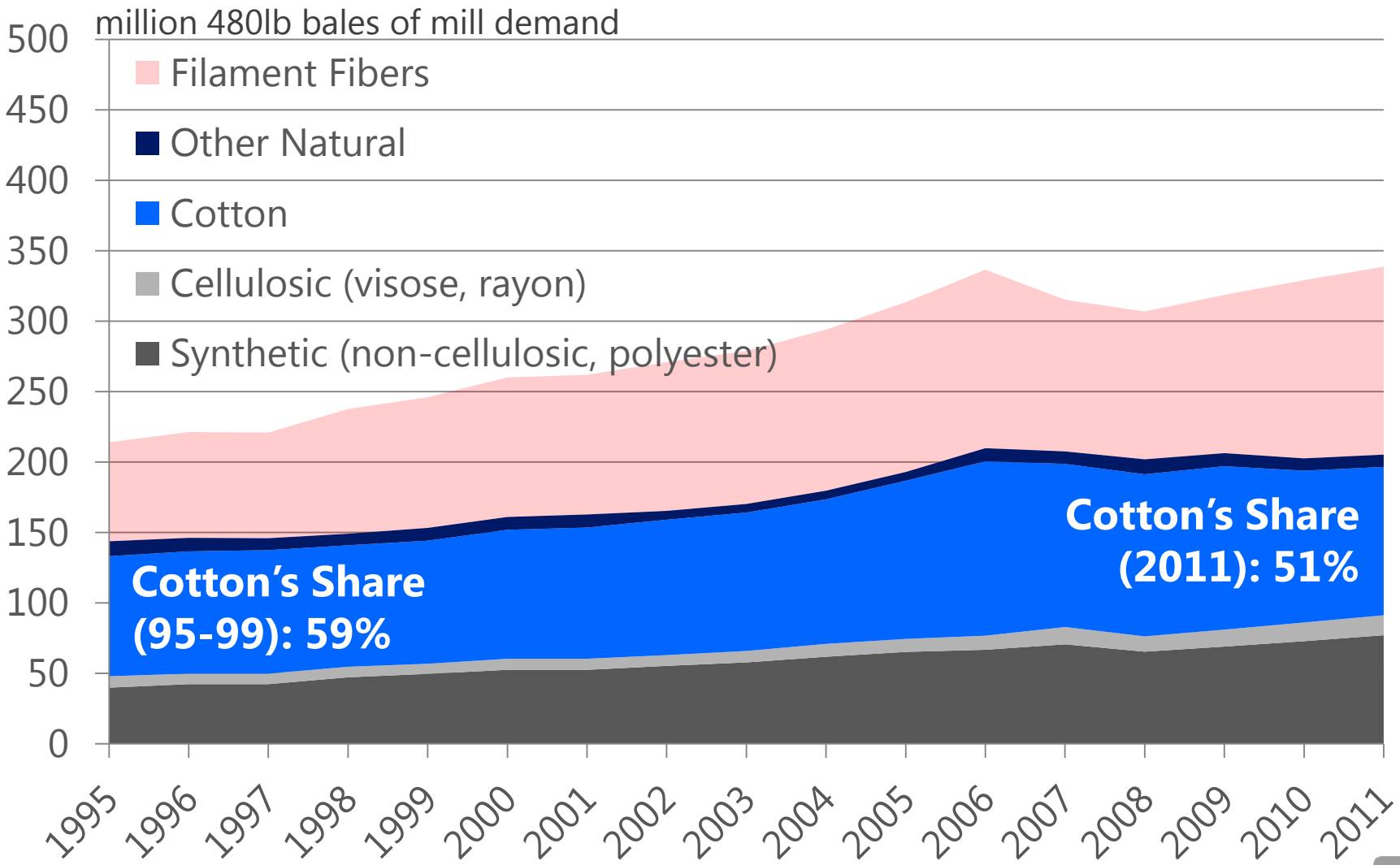
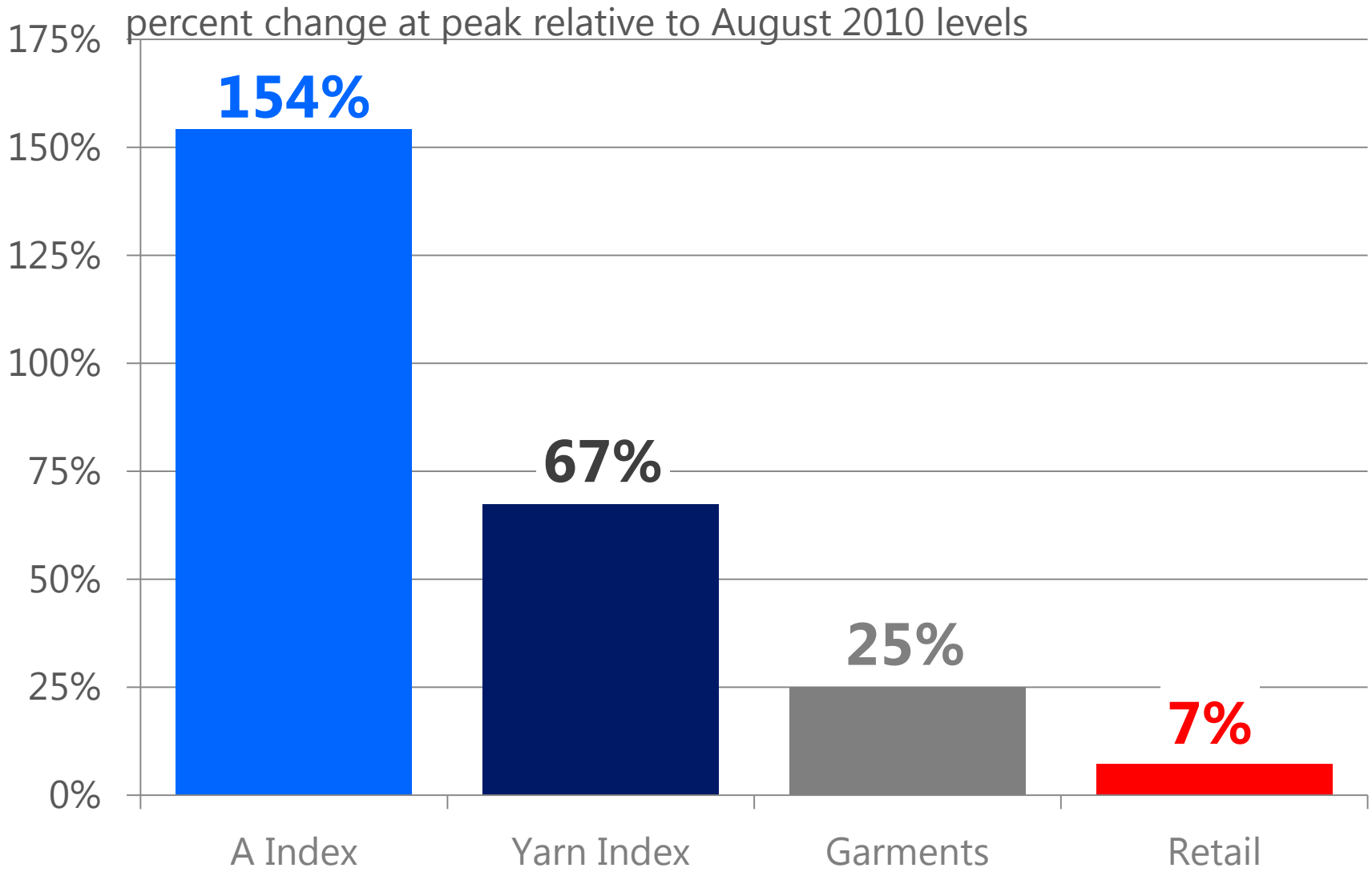
Recent Market Events & Challenges for Demand Growth

Global Staple Fiber Market



Source: Fiber Organon

Summary of Pass-Through



Sources: Cotlook, OTEXA, U.S. Bureau of Labor Statistics (seasonally-adjusted import and retail prices)