



# The Tariff Dispute & the Cotton Supply Chain



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# Cotton Sustainability

## Biodegradability of Cotton

Topics > Sustainability > Cotton Sustainability

Just as grocery store shoppers seek ingredient lists they know and understand, the textile manufacturers to clothing retailers and brands – is seeking answers on where its raw material impacts the environment. The U.S. cotton industry wants to ensure the cotton fiber is so can trust and continue to depend on when making product decisions to use cotton.

This page contains three past webinars:  
Breaking it Down: Cotton's Biodegradability in Various Environments  
(Replay from March 27, 2018)  
Breaking it Down: Cotton's Biodegradability in Aquatic Environments  
(Replay from April 24, 2018)  
Turning the Tides: Tackling Our Ocean's Plastic Pollution Problem  
(Replay from March 20, 2018)



### Recycled Cotton

The use of recycled materials is a growing topic of



## FABRICAST™ Collection

### Filter

- Wovens (430), Knits (389)
- Fabric Type
- Fiber Content
- Fabric Weight
- Fabric Technology
  - ☐ STORM COTTON™ Technology (51)
  - ☐ TransDRY™ Technology (51)
  - ☐ WICKING WINDOWS™ Technology (17)
  - ☐ TOUGH COTTON™ (9)
  - ☐ NATURAL STRETCH® (4)
  - ☐ STORM DENIM™ Technology (3)

Reset Filters



cotton/nylon oxford with stretch STORM COTTON™ technology

Project  
7093  
Fabric Category  
Wovens  
Fabric Type  
Oxford  
Fiber Content  
84% Cotton  
Finished Fabric Weight  
5.8 oz/yd<sup>2</sup>  
Technology  
STORM COTTON™

ADD TO LIST



## Performance Technologies



## News

### Executive Cotton Update: August 2019

POSTED ON AUGUST 6, 2019



U.S. Macroeconomic Indicators & the Cotton Supply Chain

### Macroeconomic Overview

According to the advance (preliminary) estimate released by the Bureau of Economic Analysis, the U.S. grew at a 2.1% annualized rate in the second quarter. In the first quarter, the U.S. economy grew 3.1%. The slowdown in the second quarter was primarily a result of a sharp reversal in business inventories, which went from a 6.2% rate of growth in the first quarter to a 5.5% reduction in the second quarter. Consumer spending strengthened in the second quarter, rising from 1.1% to 4.3% quarter-over-quarter. A strong labor market that has pushed unemployment to multi-decade lows and which has started to lift wages has supported spending growth.

The International Monetary Fund (IMF) lowered its forecasts for global GDP last month (from the 3.3% projected in April to 3.2% for 2019, from the 3.5% projected in April to 3.4% for 2020). In the accompanying report, the IMF indicated that risks remain to the downside. The list of specific risks featured the impact of trade tensions. A central concern was the U.S.-China dispute, but also included Brexit.

Recent talks between the U.S. and China did not result in significant progress. In response, the U.S. initiated

### Monthly Economic Letter: August 2019

POSTED ON AUGUST 14, 2019



### Cotton Market Fundamentals & Price Outlook

## Recent Price Movement

All benchmark prices decreased over the past month.



Type your questions in the Q&A window at any time during the webinar.



Find the presentation slides and other resources at **cottonworks.com** at the conclusion of the webinar.



Please turn off your pop-up blocker to participate in this webinar.

# Webinar Support



# The Tariff Dispute & the Cotton Supply Chain



# Outline

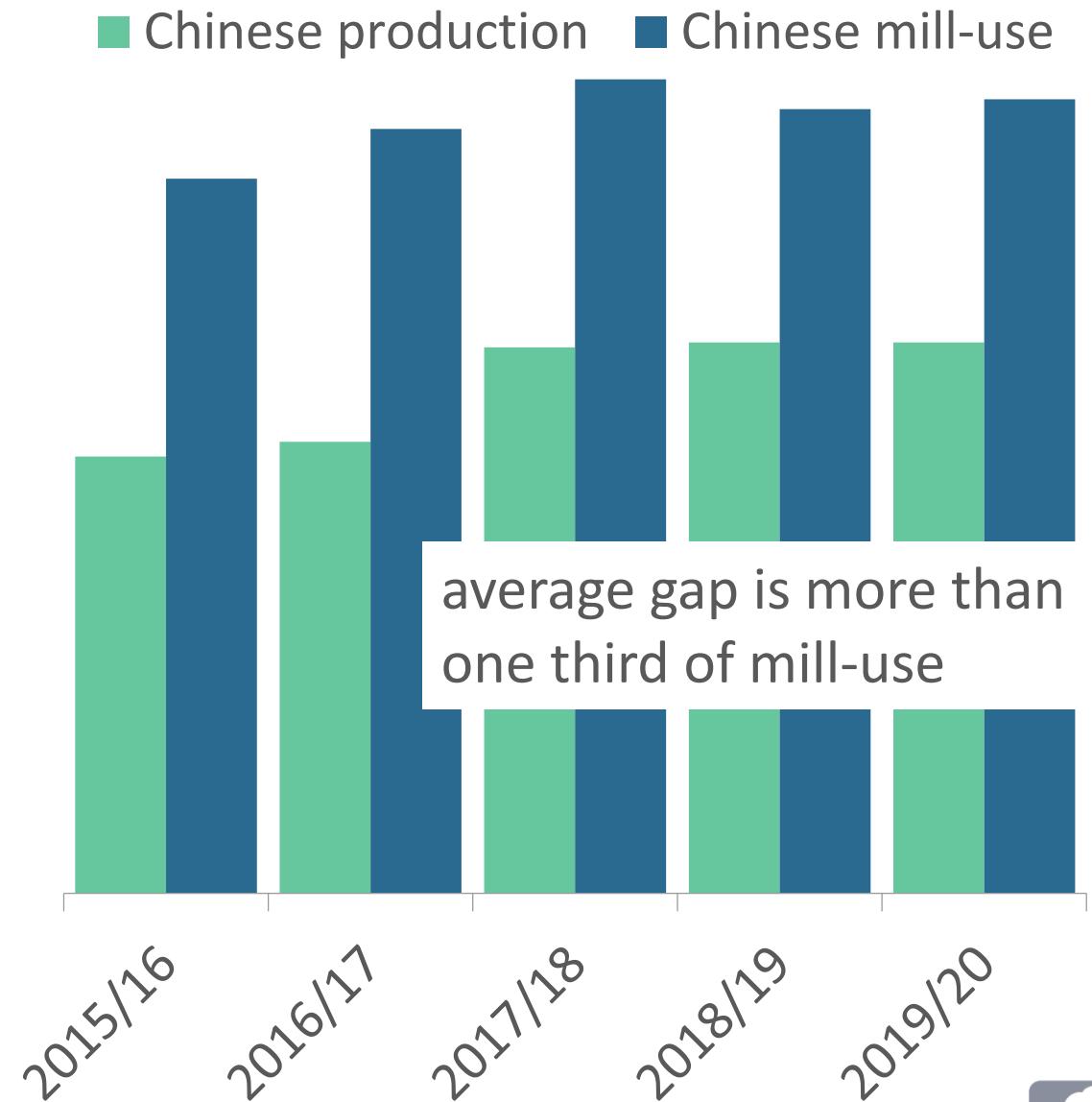
Long-term  
structural changes

Tariff timeline

Effects on supply chains

# China

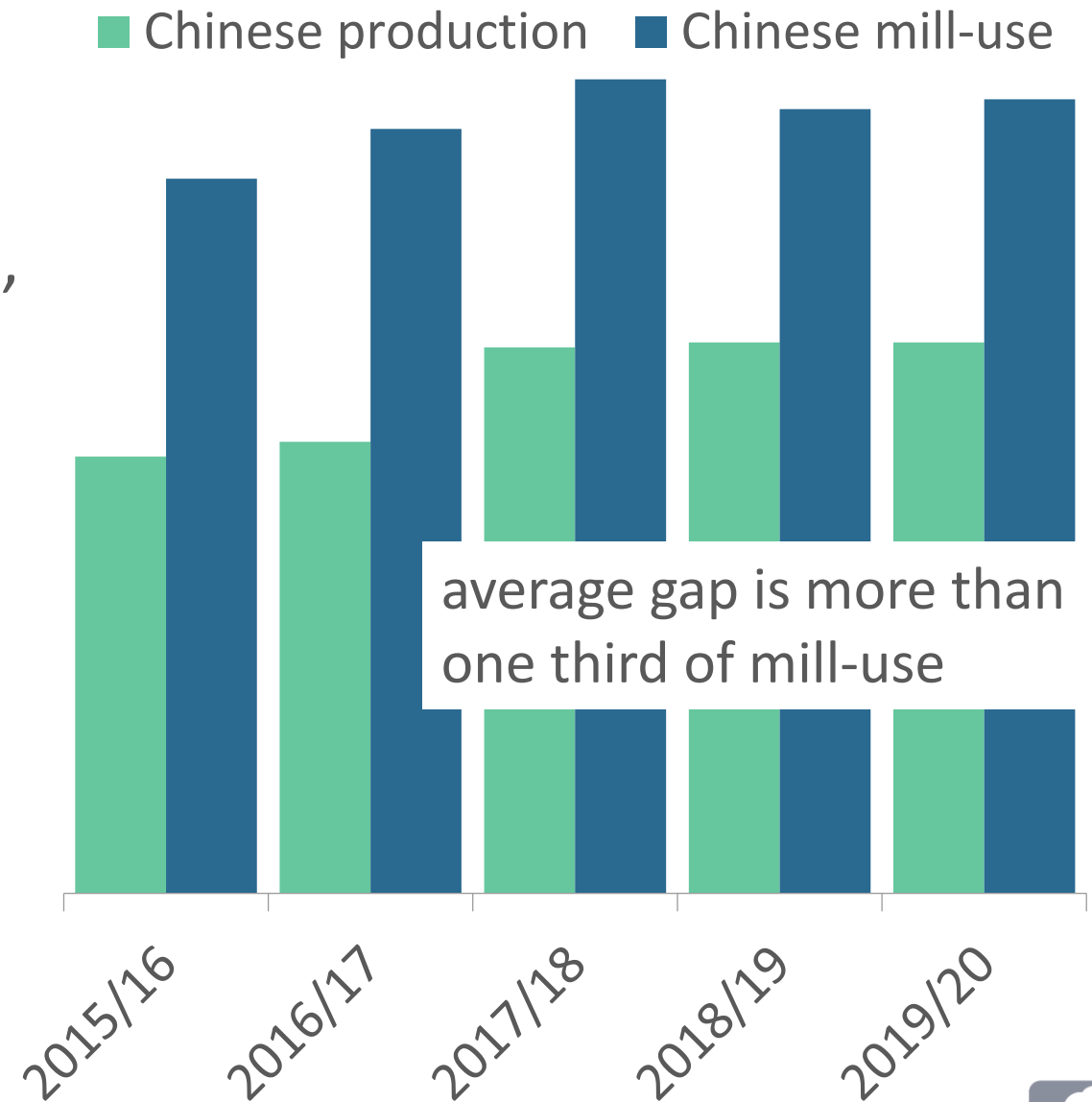
China grows less cotton than its mills consume



# China

China grows less cotton than its mills consume

Government reserves been filling the gap, but stocks drawn down



# China

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mill-use**

**53 mil. bales**

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Stabilization of reserves requires imports to equal China's production deficit

- Recent imports near 5 million bales
- Recent deficit near 15 million bales
- Chinese imports will need to nearly triple

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**Where to get all that cotton?**

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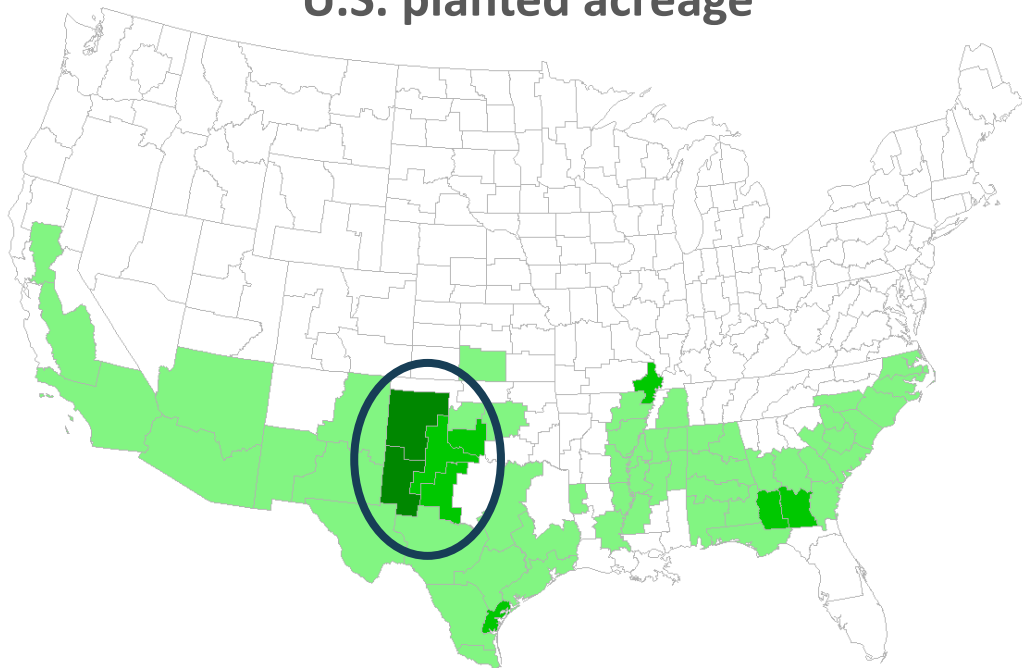


# U.S.

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Lower corn and soybean prices  
boosted acreage

## U.S. planted acreage

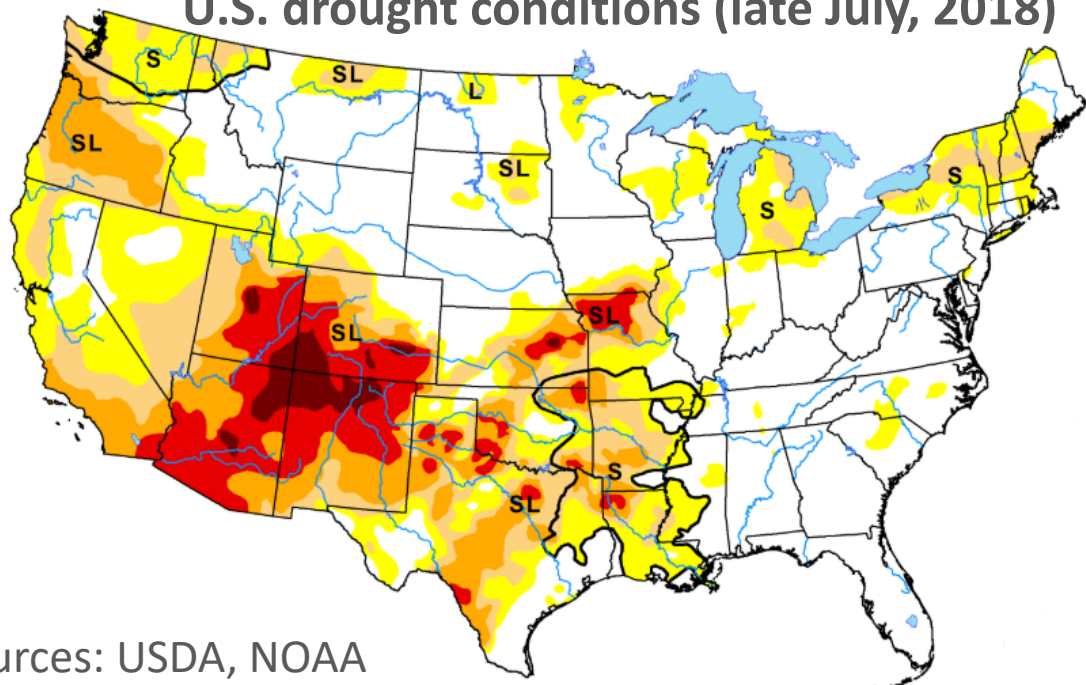


## U.S.

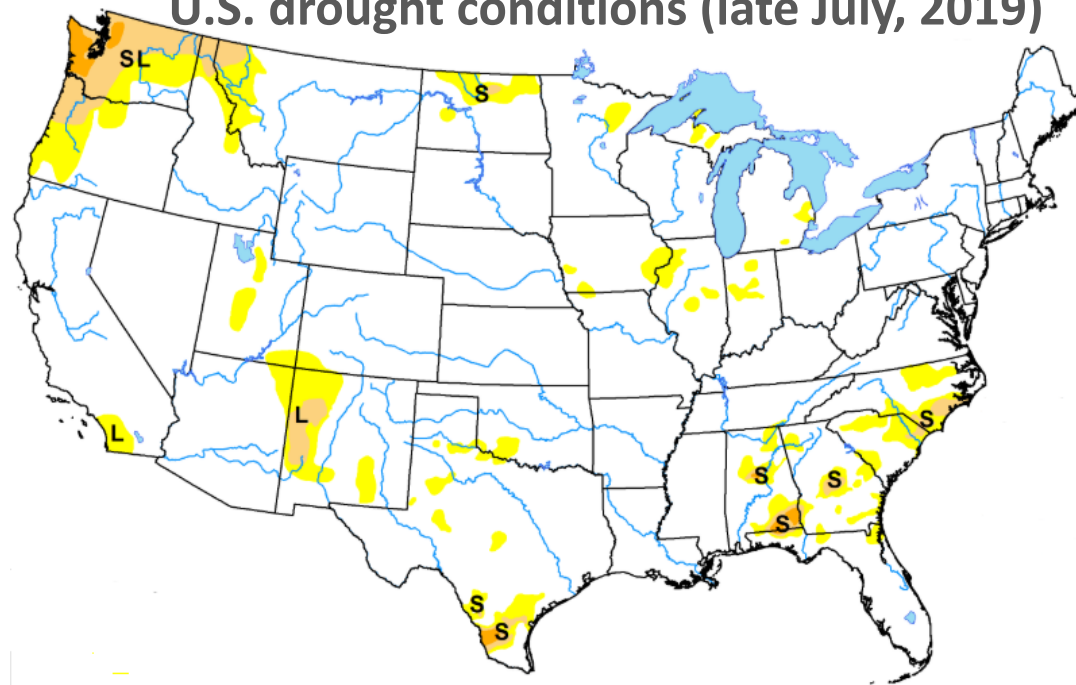
Lower corn and soybean prices  
boosted acreage

Weather conditions more favorable  
than last year

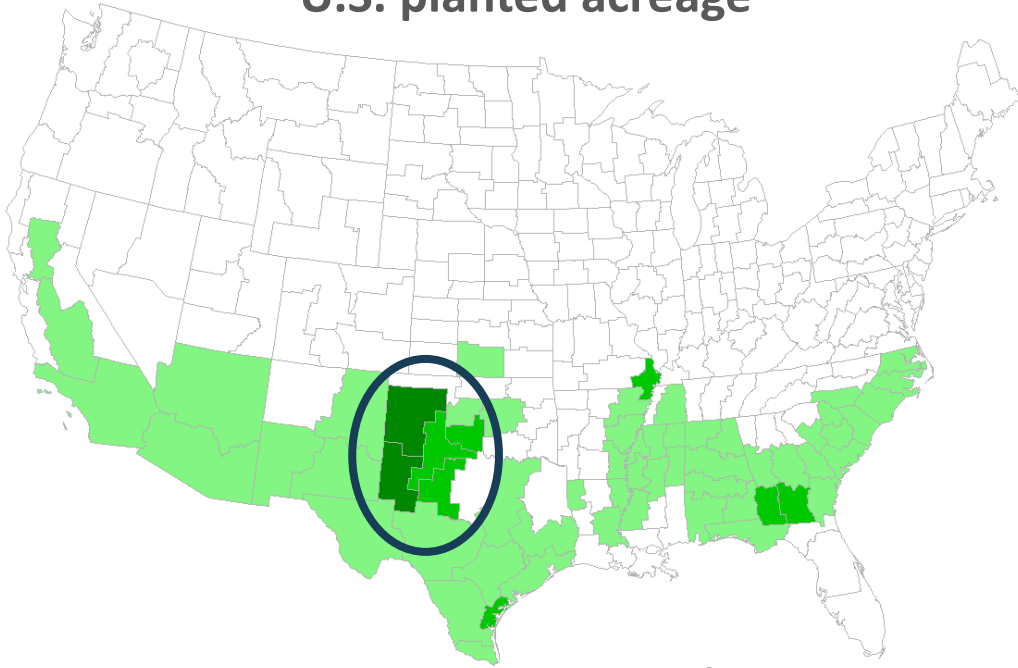
## U.S. drought conditions (late July, 2018)



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## U.S. planted acreage

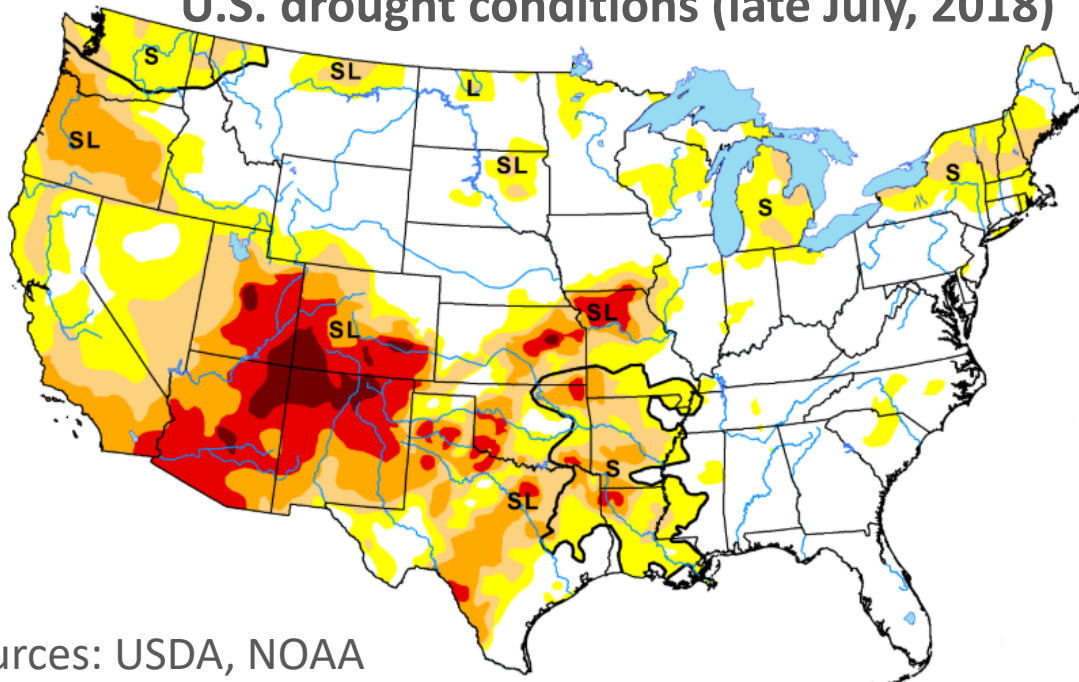


## U.S.

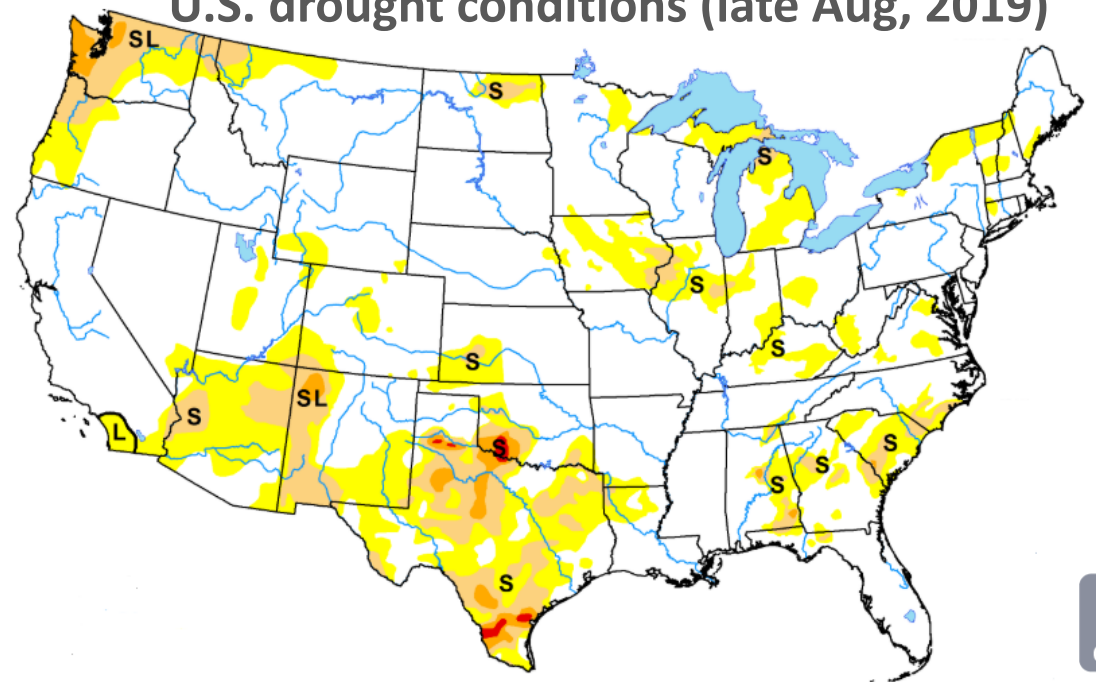
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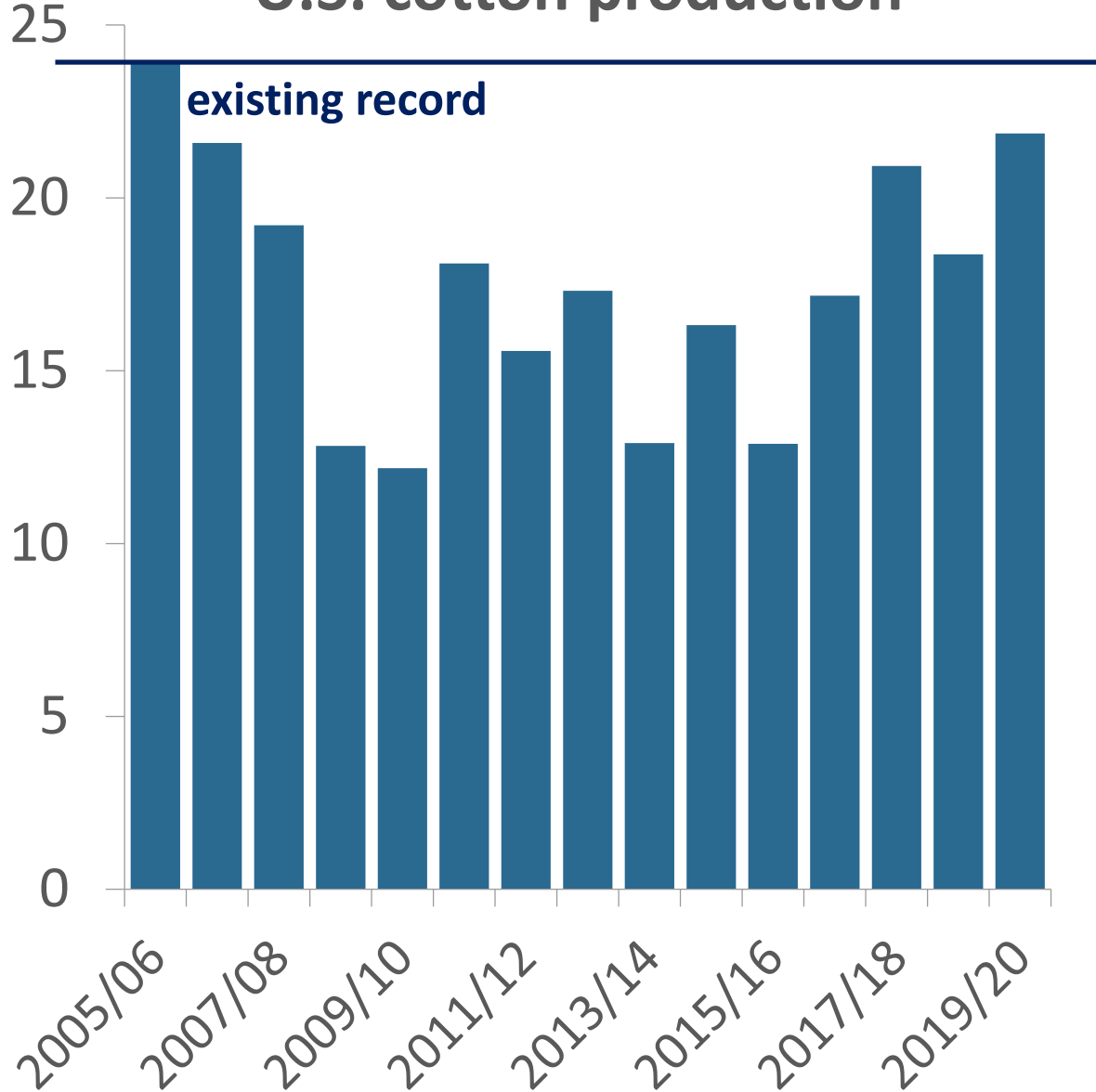
## U.S. drought conditions (late July, 2018)



## U.S. drought conditions (late Aug, 2019)



## U.S. cotton production



Source: USDA

## U.S.

Lower corn and soybean prices  
boosted acreage

Weather conditions more favorable  
than last year

Near record crop forecast

22 million bales of production

3 million bales of mill-use

19 million bales to move

16.5 million bale export forecast

Record for exports is 17.7 million

### Where to sell all that cotton?



# China

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# U.S.

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**Where to get all that cotton?**

**Where to sell all that cotton?**



# China

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**Where to get all that cotton?**

# tariffs

# U.S.

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**Where to sell all that cotton?**



# tariffs

**July 2018** first pair of lists (list 1, both sides at \$34 billion),  
U.S. cotton faces a 25 point tariff increase

**Jul-Aug 2018** second pair of lists (list 2, both sides at \$16 bil.)  
threats made to hit all U.S. imports from China with increases

**Sep 2018** third pair of lists (list 3, \$200 & \$60 bil.)

**December G-20 meeting, truce called**

**May 2019** sharp reversal in expectations, tariffs on list 3 increase further,  
U.S. renews threats on all imports from China

**late June G-20 meeting, truce called**

**Sep 2019** U.S. raises tariffs on most imports from China not yet covered (list 4a),  
includes most Chinese-made apparel, China raises tariffs

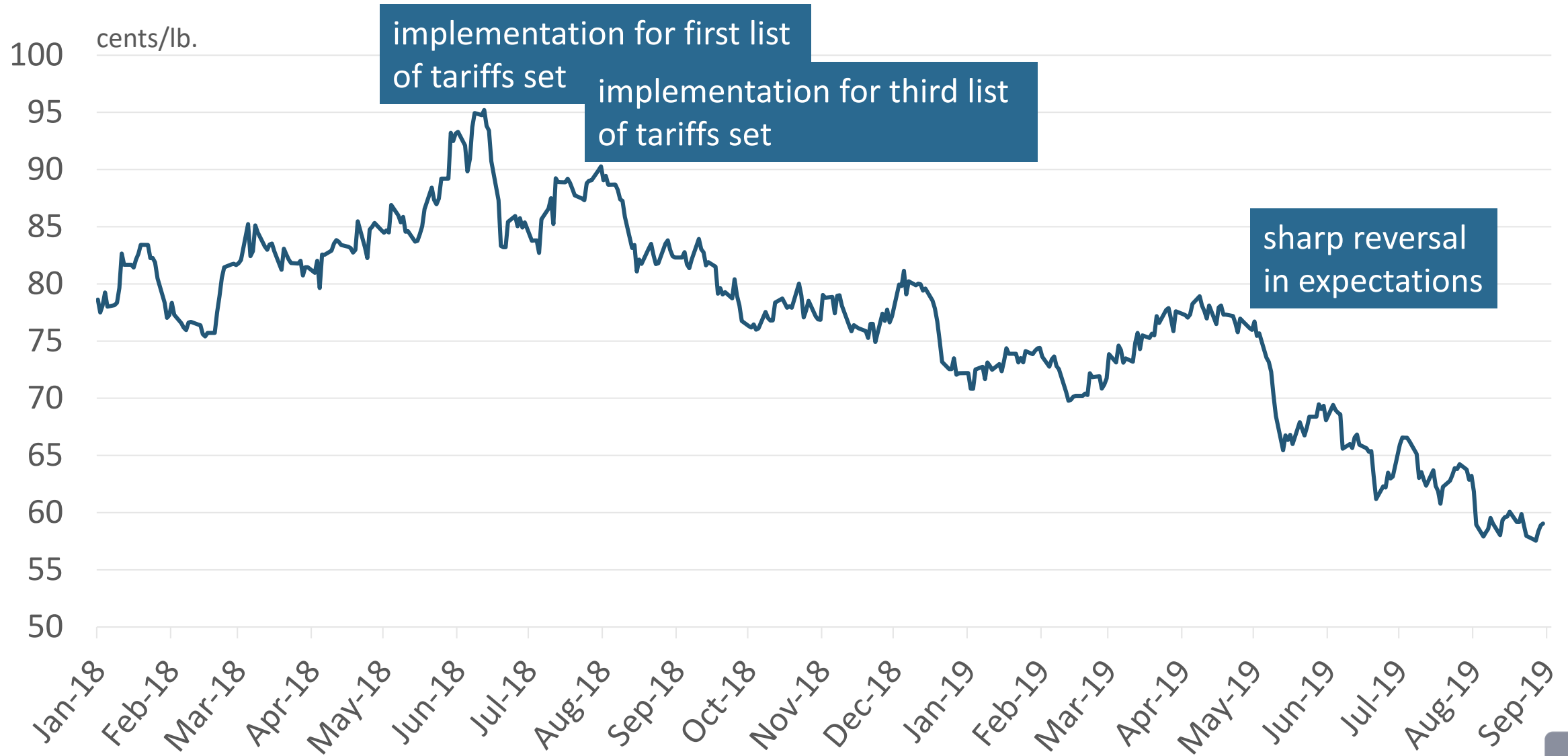
**Oct 2019** U.S. to raise tariffs on Lists 1, 2, & 3 China further (delayed two weeks),  
talks to take place

**Dec 2019** U.S. to raise tariffs on all imports from China not yet covered (list 4b),  
includes remaining Chinese-made apparel, US cotton hit again by China

Sources: Peterson Institute of International Economics, Bloomberg, WSJ

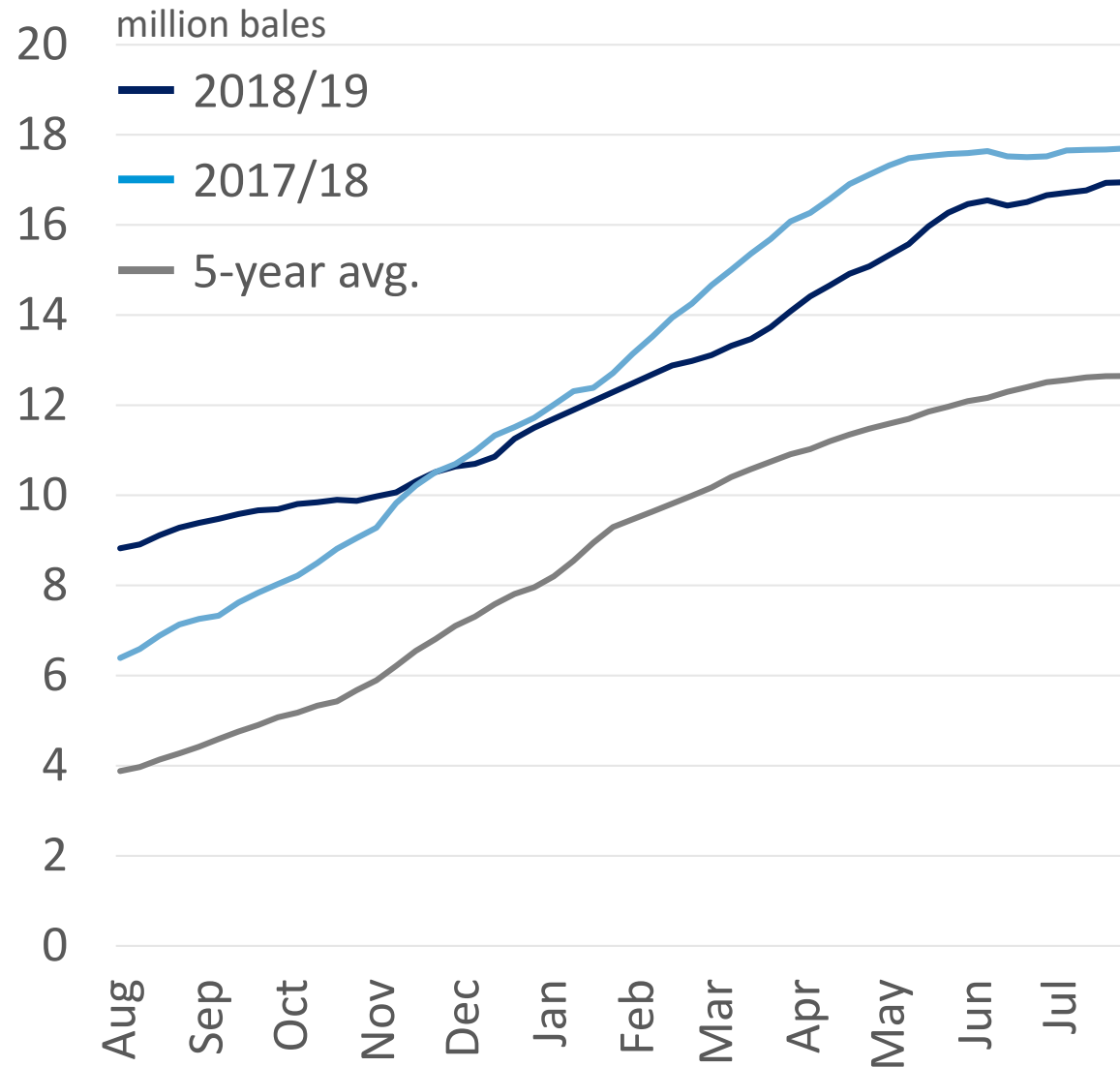


# Tariffs & Cotton Prices



# Tariffs & Cotton Fiber Trade

## U.S. export commitment to the world

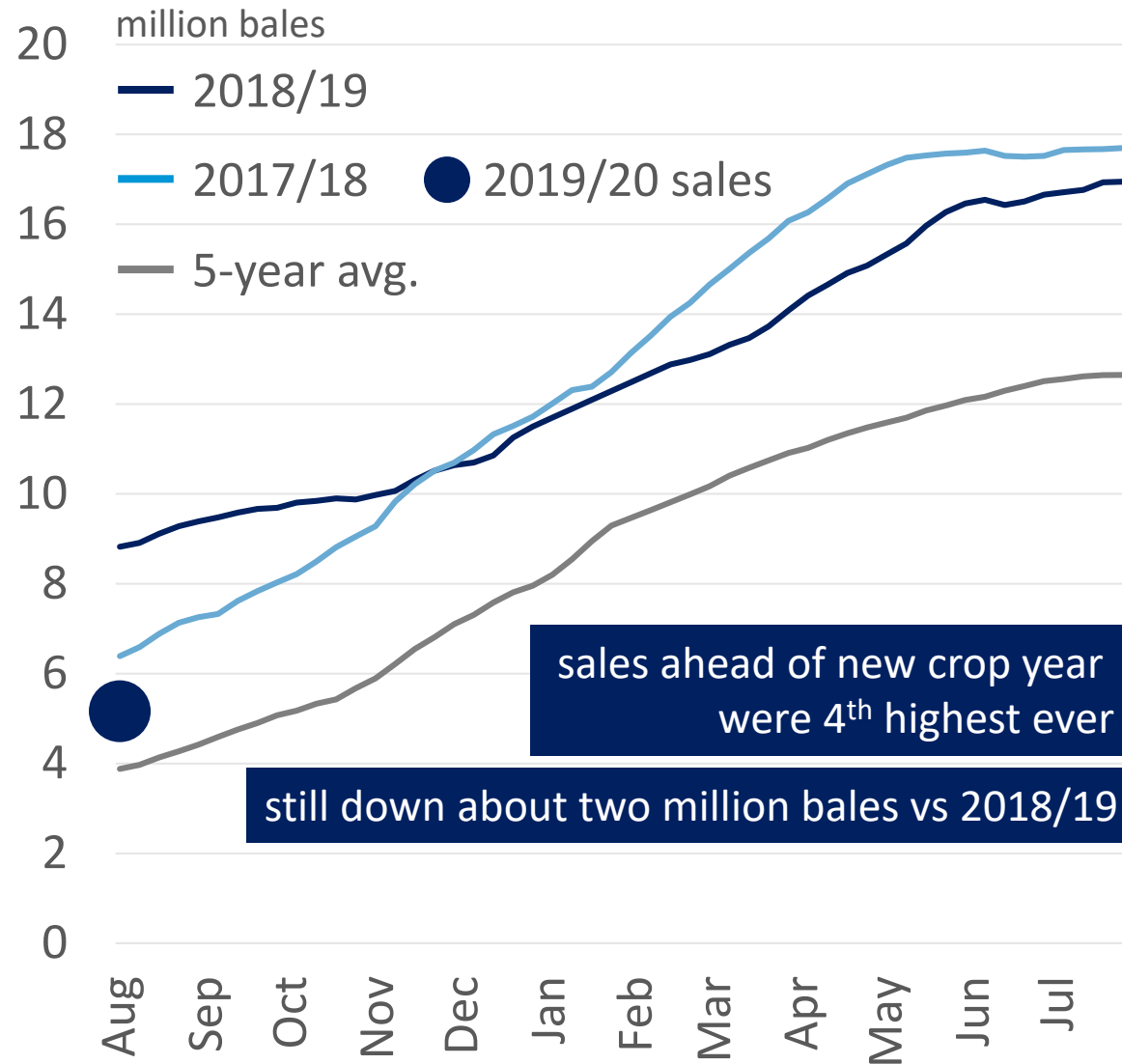


Source: USDA



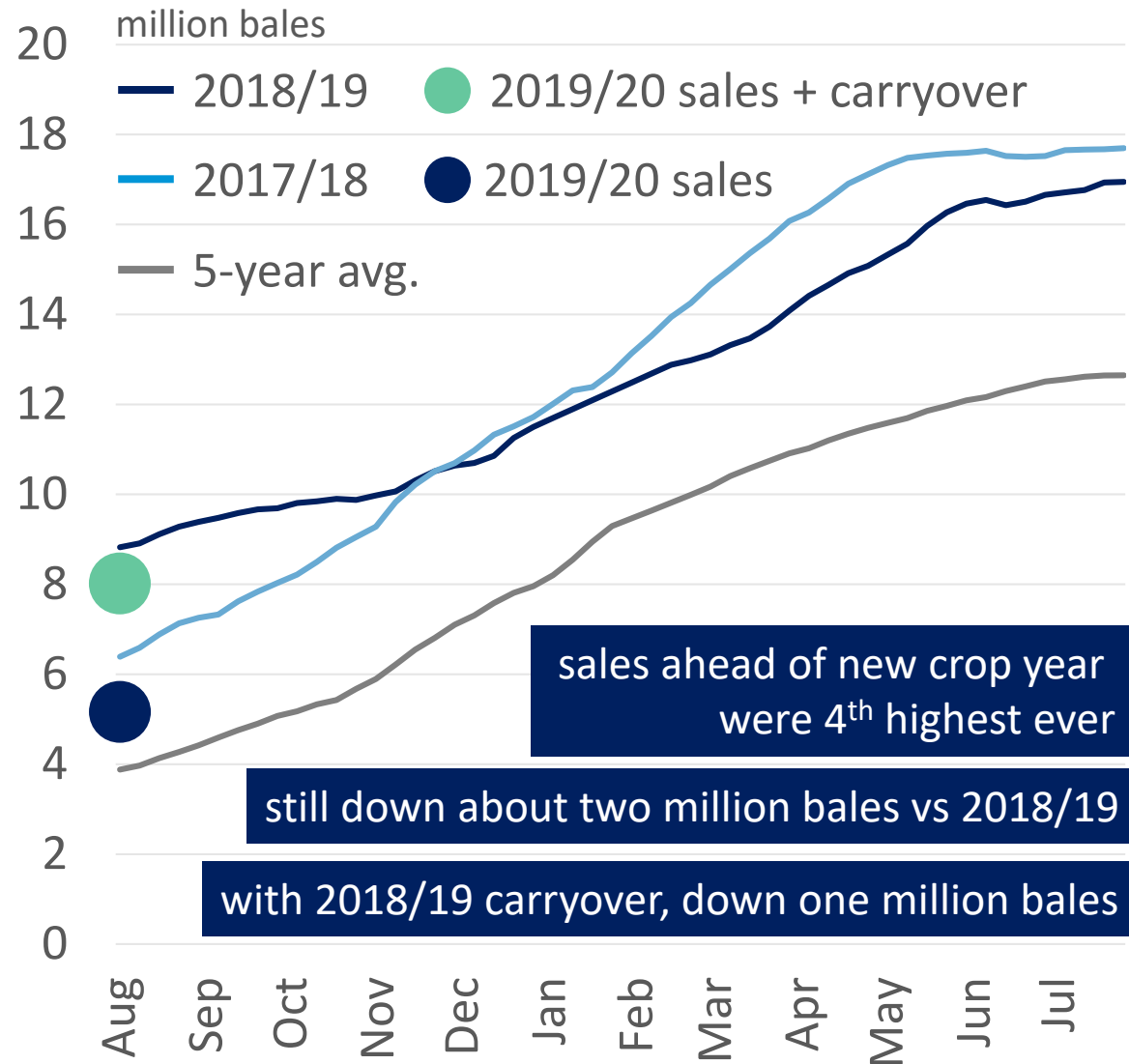
# Tariffs & Cotton Fiber Trade

## U.S. export commitment to the world



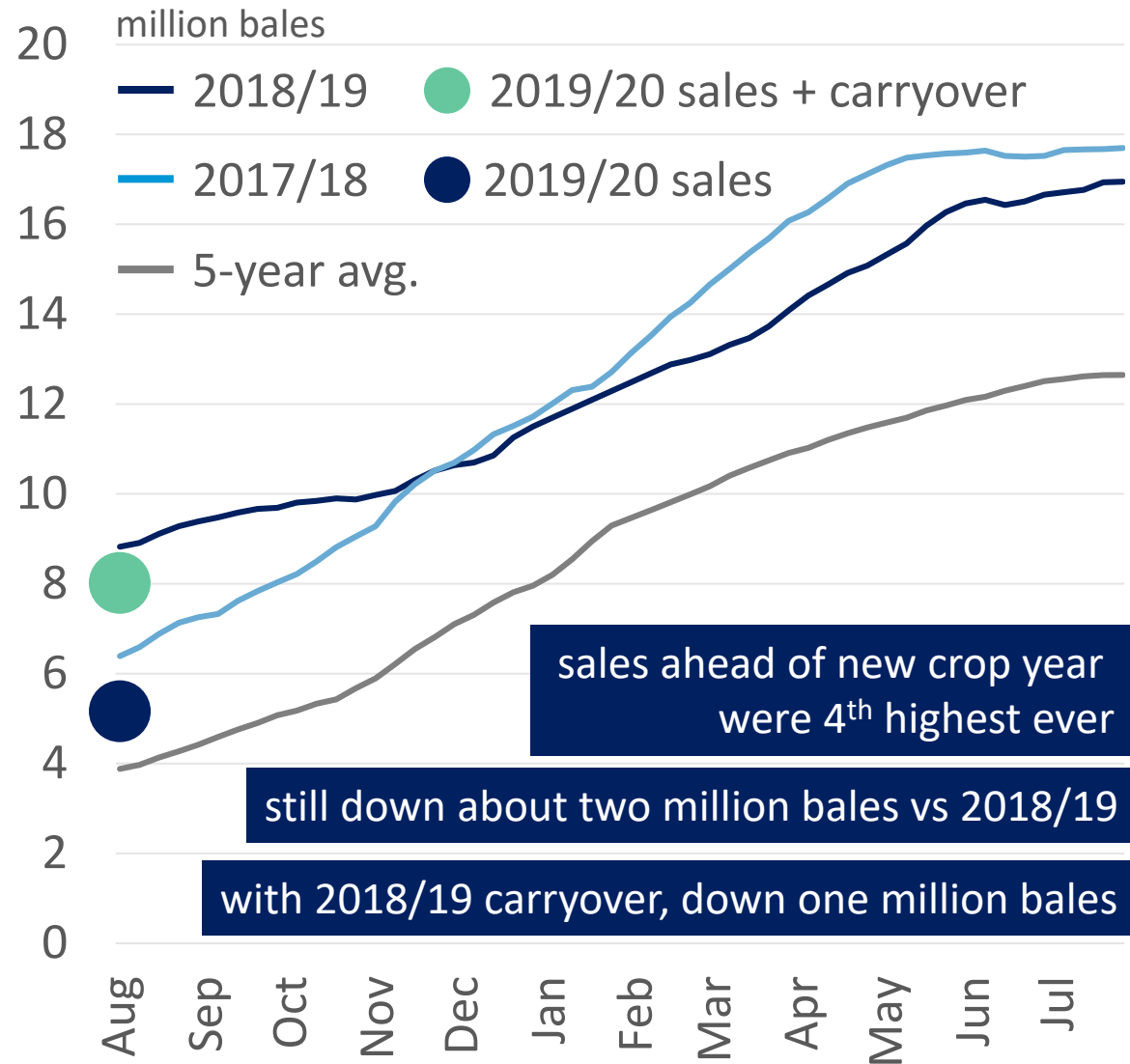
# Tariffs & Cotton Fiber Trade

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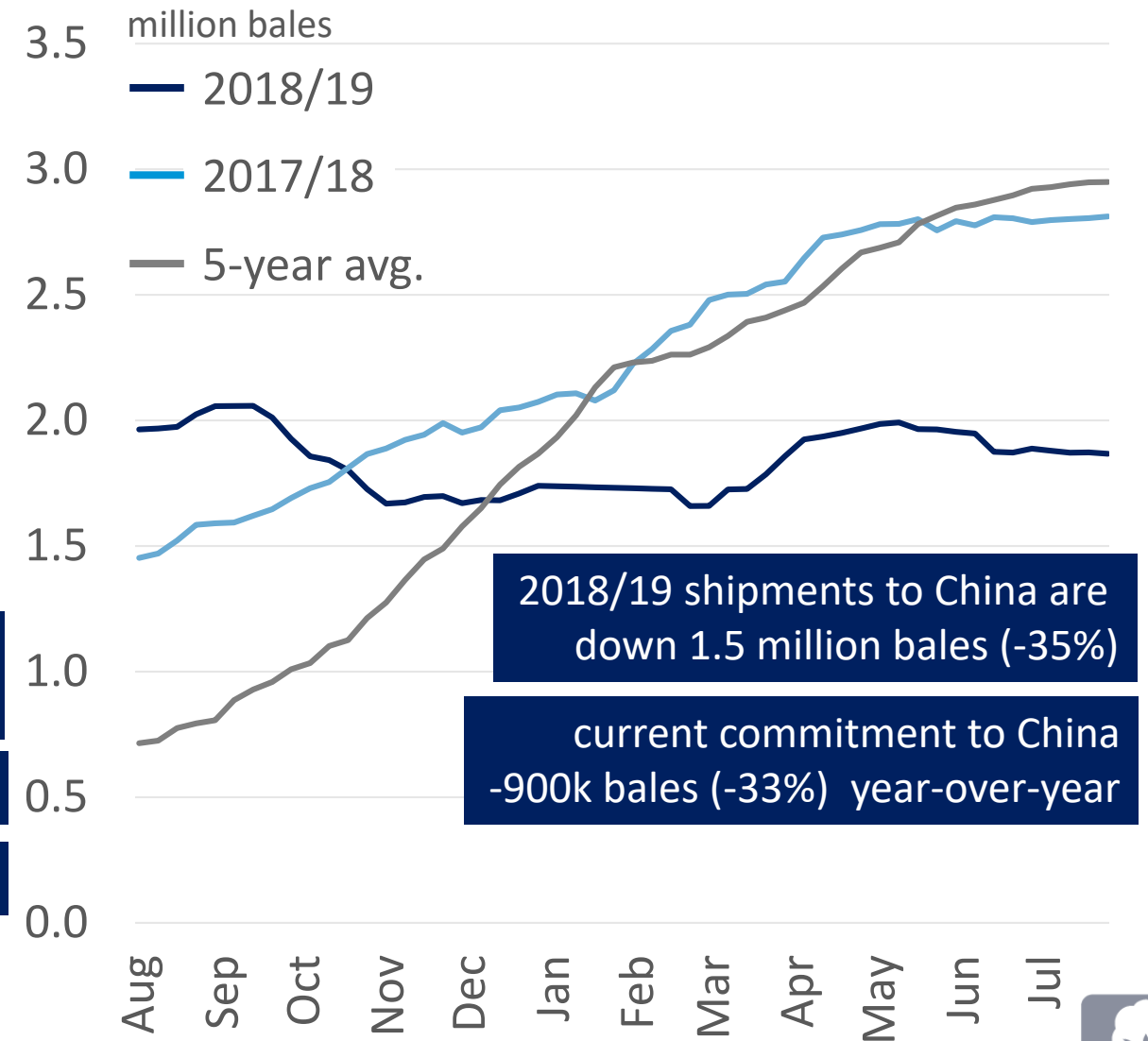


# Tariffs & Cotton Fiber Trade

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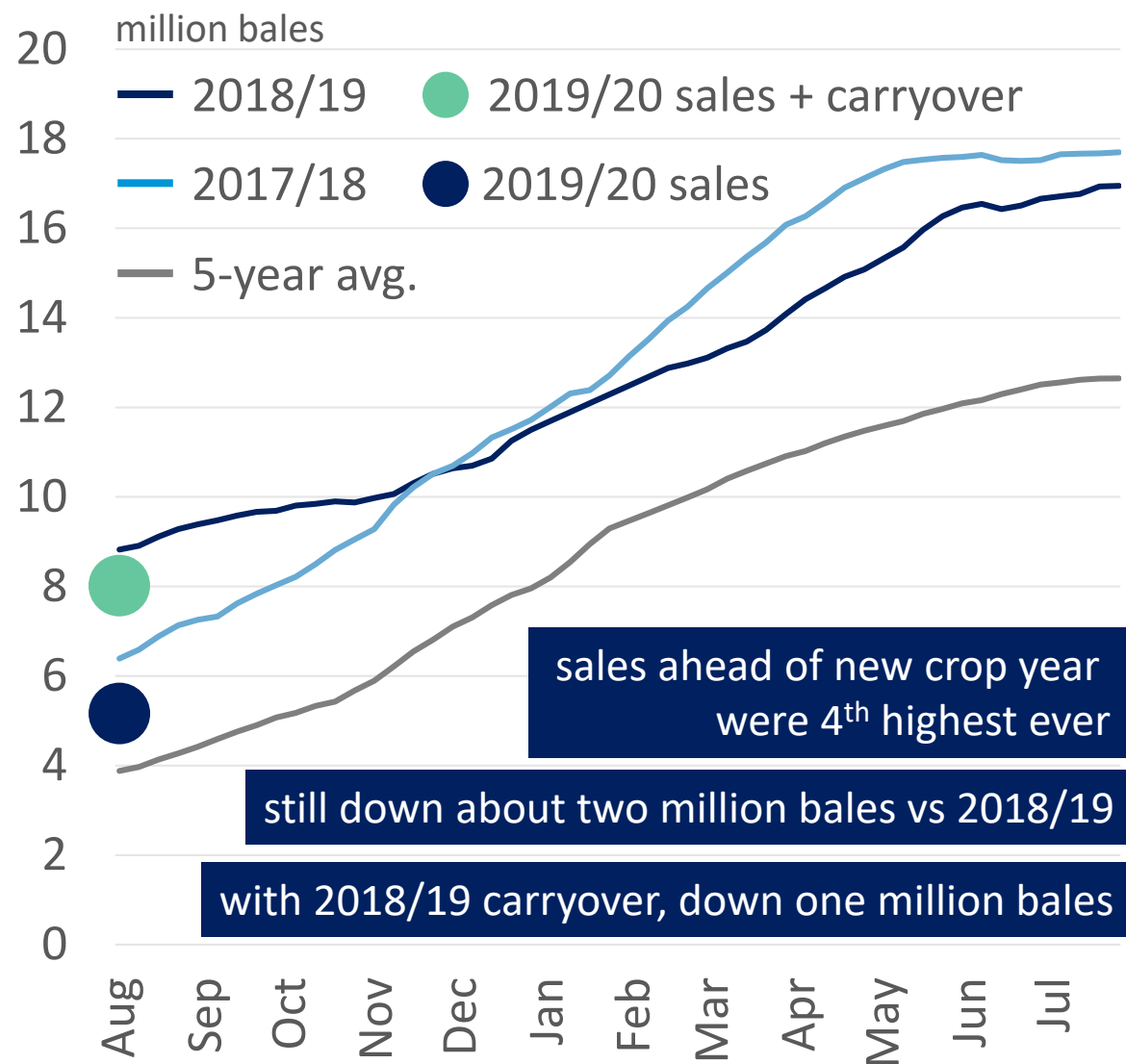


## U.S. export commitment to China

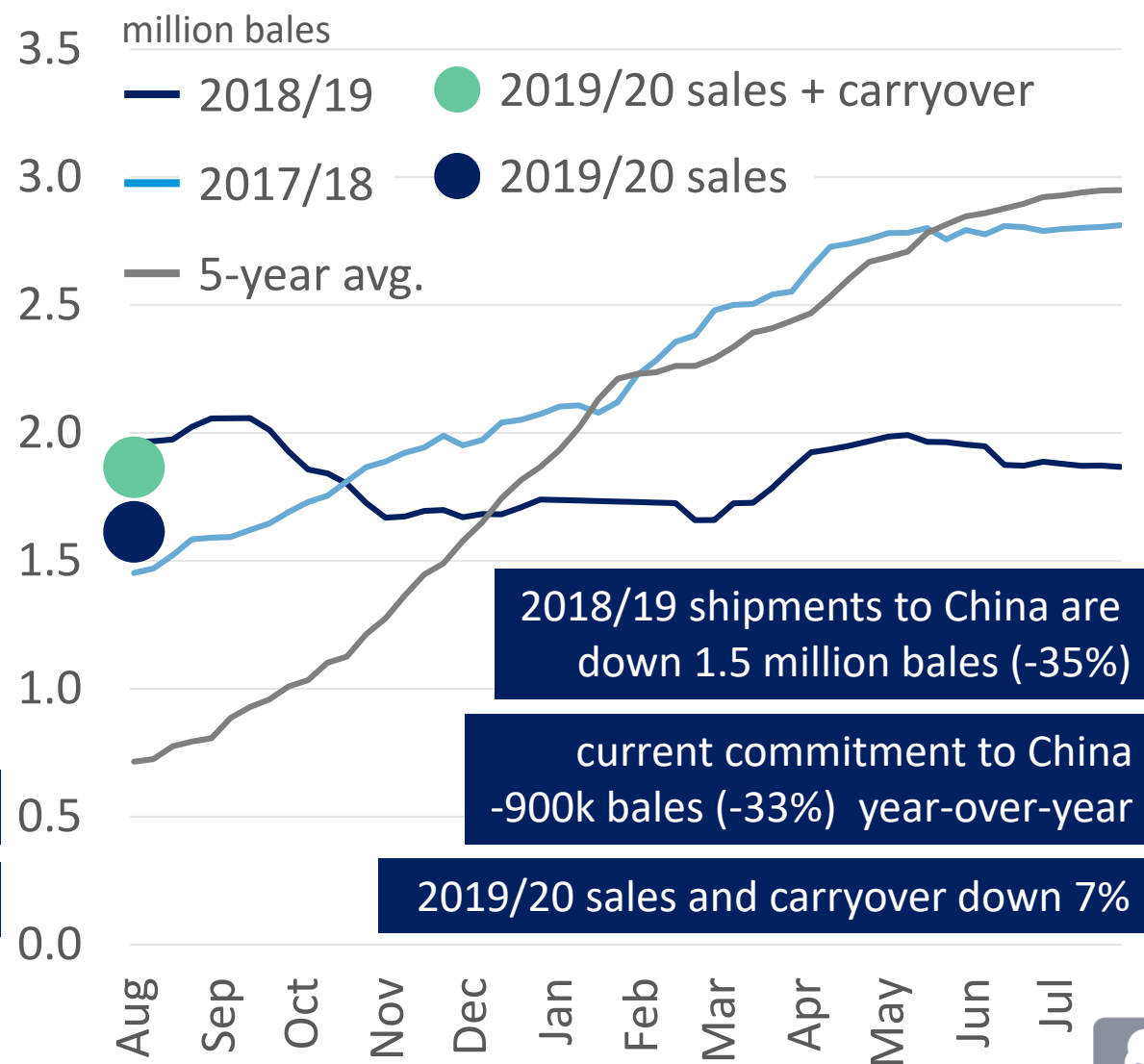


# Tariffs & Cotton Fiber Trade

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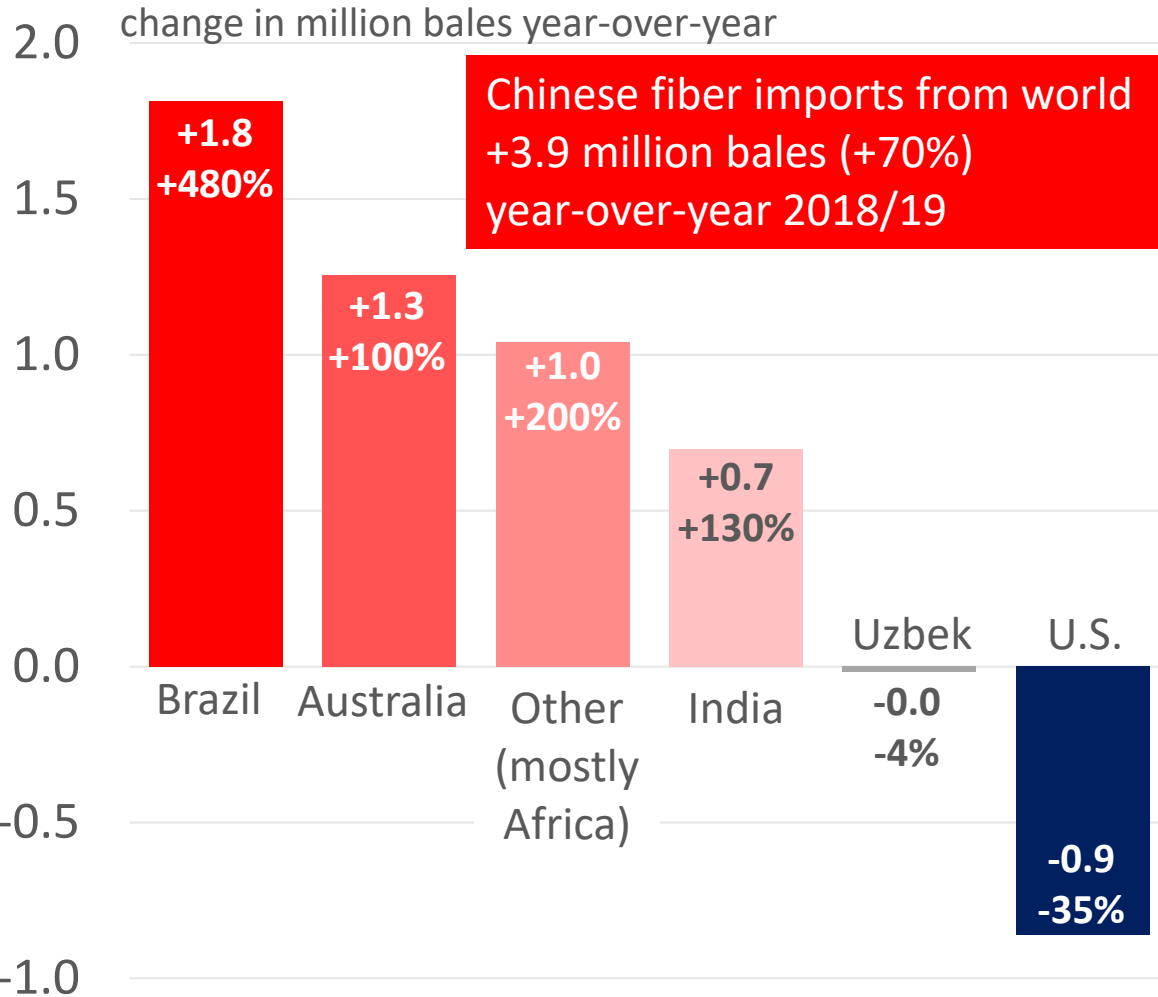


## U.S. export commitment to China

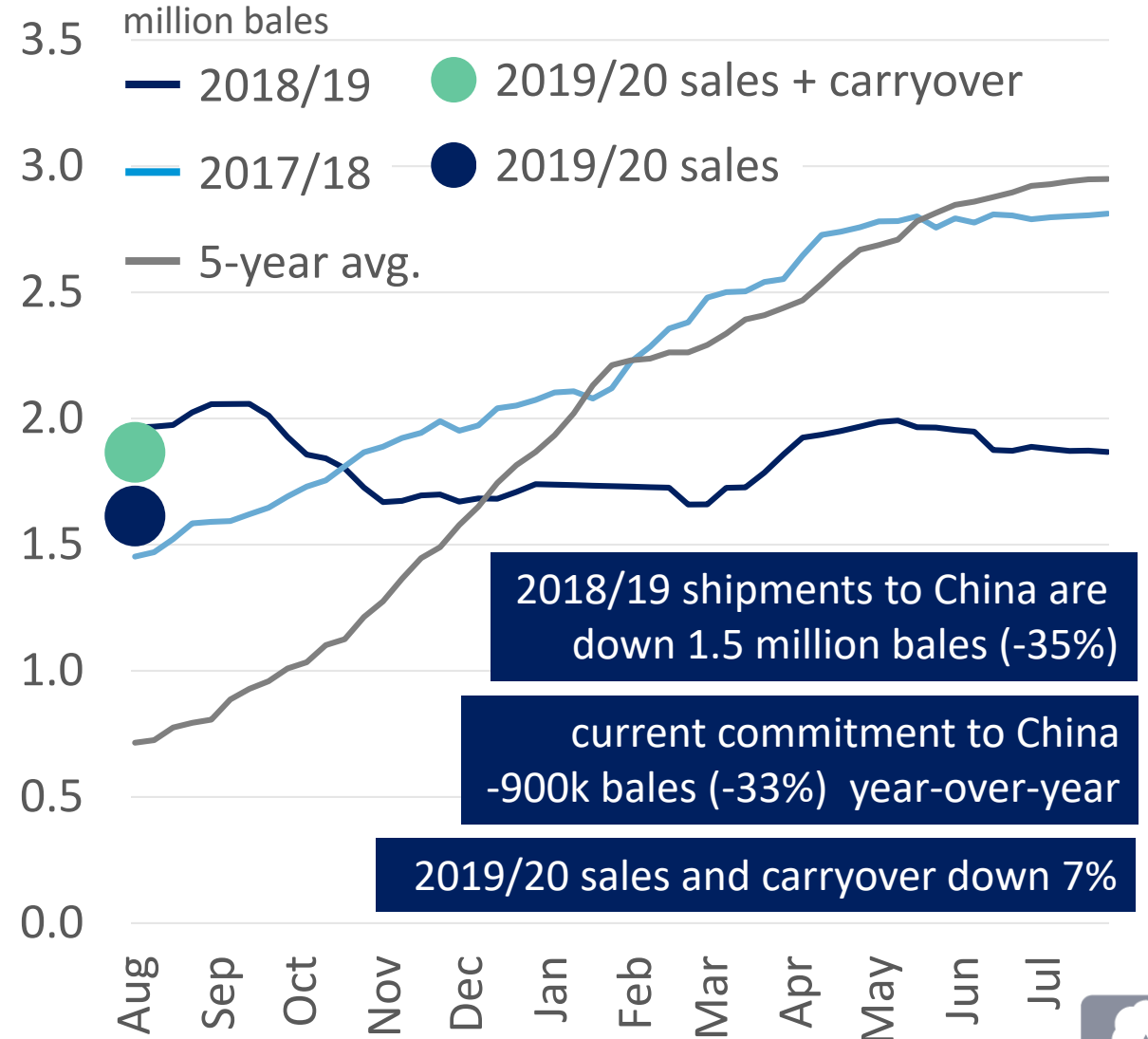


# Tariffs & Cotton Fiber Trade

## Chinese cotton fiber imports

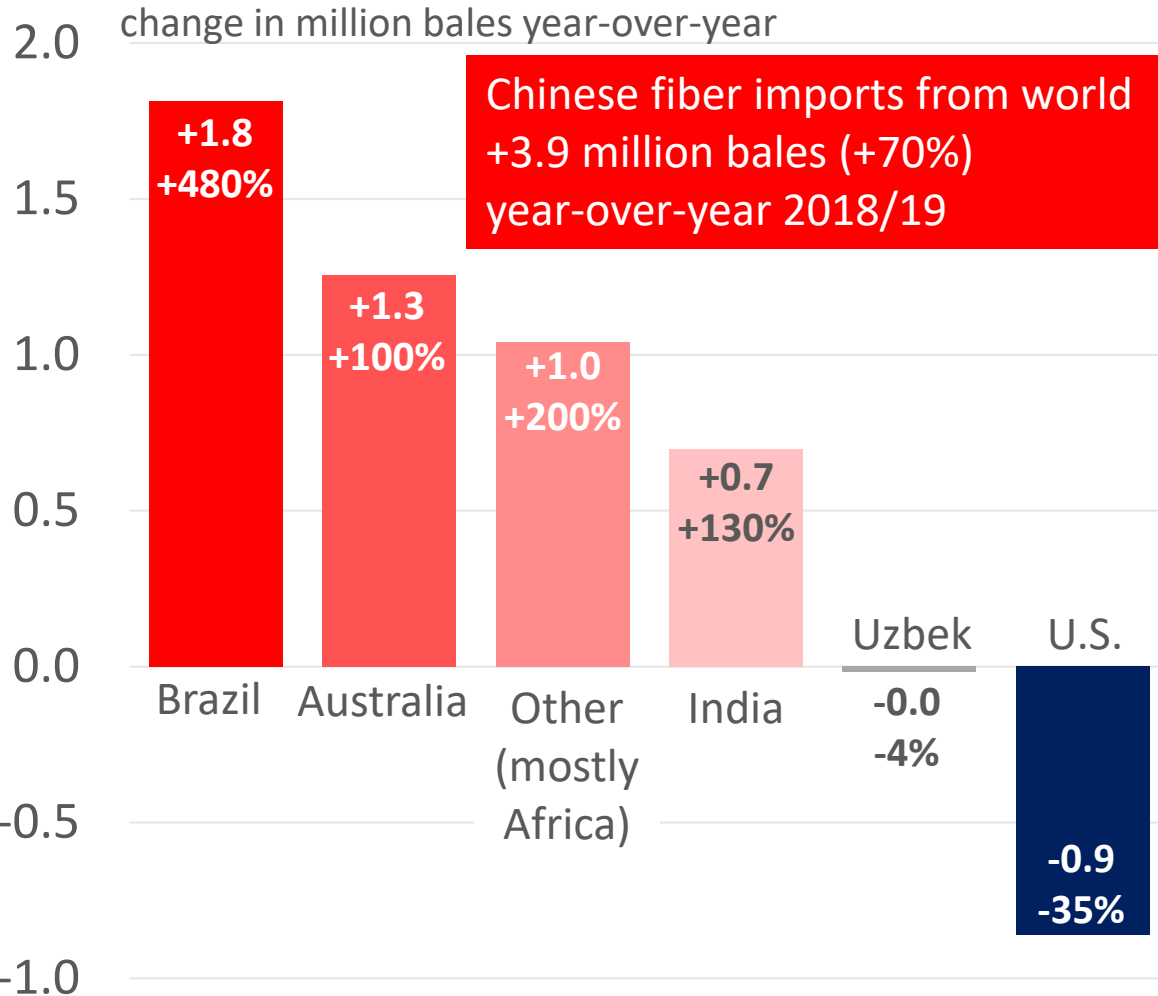


## U.S. export commitment to China



# Tariffs & Cotton Fiber Trade

## Chinese cotton fiber imports



## Exporter outlooks for 2019/20

**U.S.** forecast to export near record  
16.5 mil. bales in 2019/20

**Brazil** forecast to export 8.5 mil. bales,  
prices to influence acreage

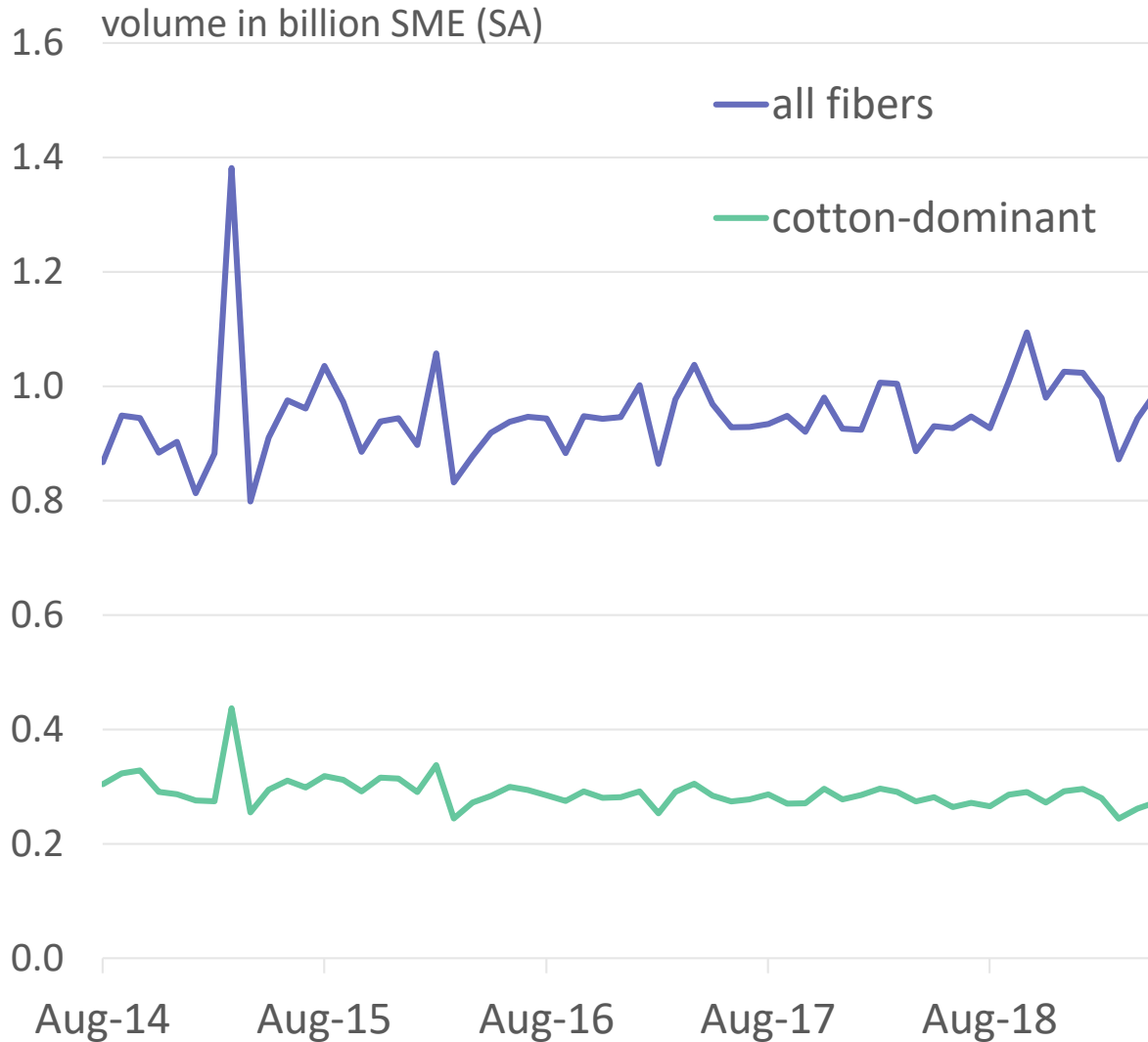
**Australia** forecast to export 1.9 mil. bales,  
drought affecting planting

**W. Africa** forecast to export 5.2 mil. bales,  
steady at 2018/19 levels

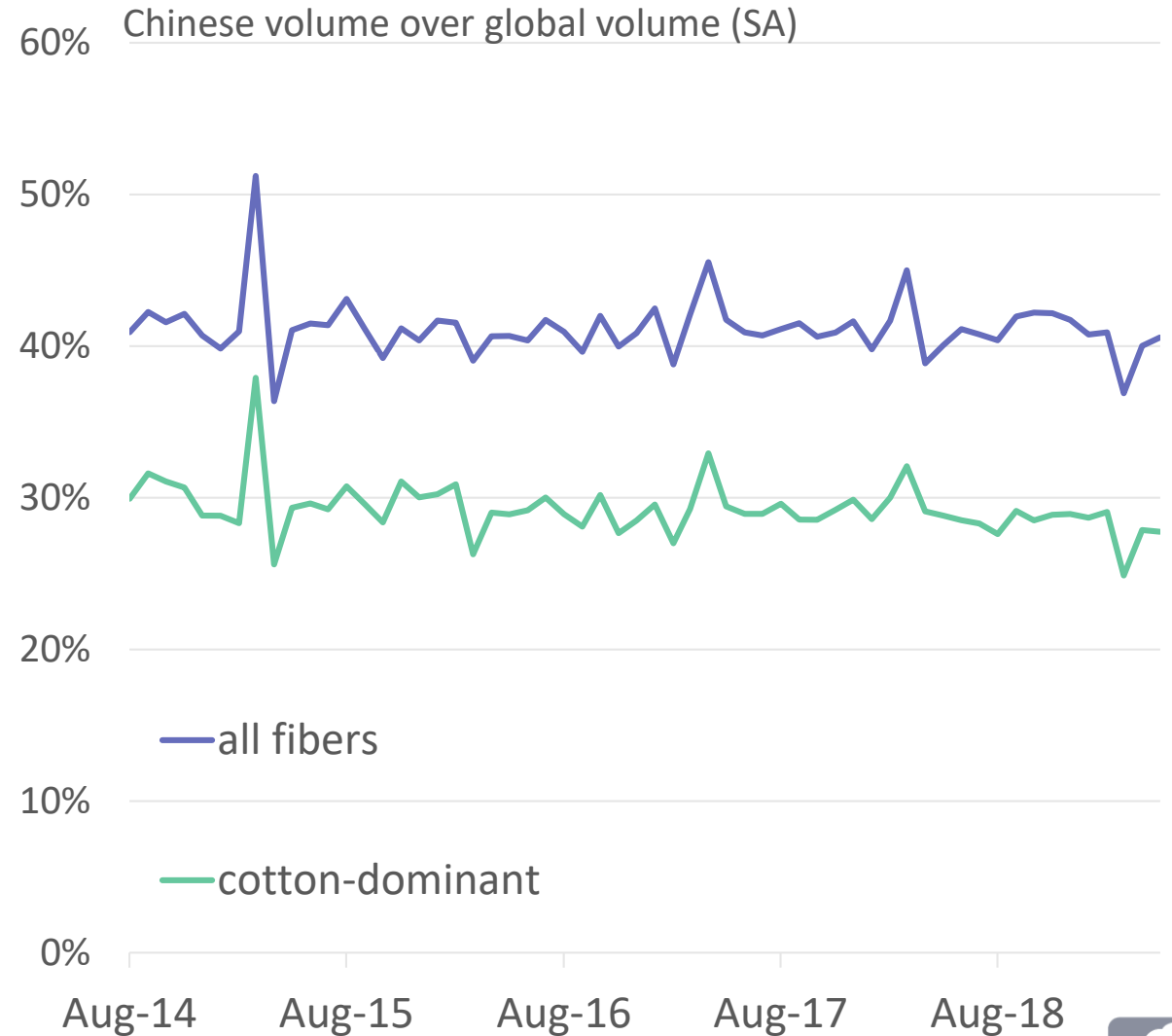
**India** forecast to export 4.0 mil. bales,  
early weather not favorable

# Tariffs & Apparel Trade

## U.S. apparel imports from China

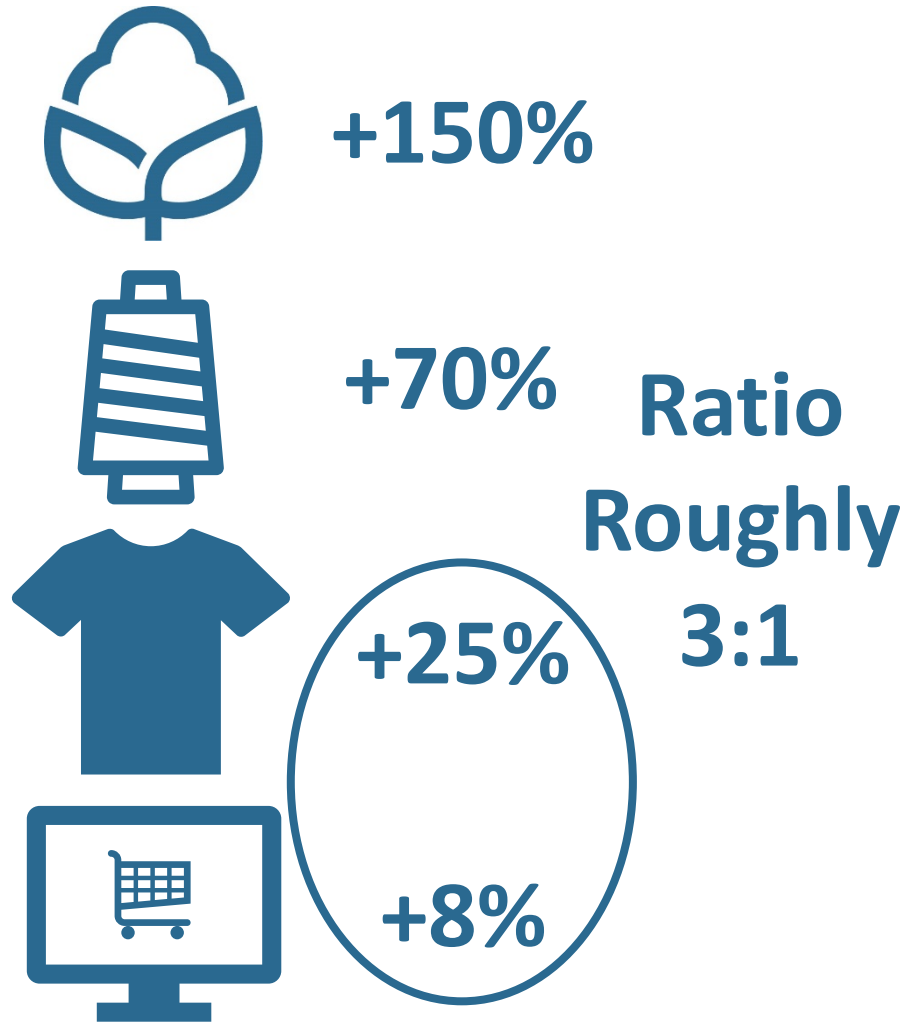


## China's share of U.S. apparel imports

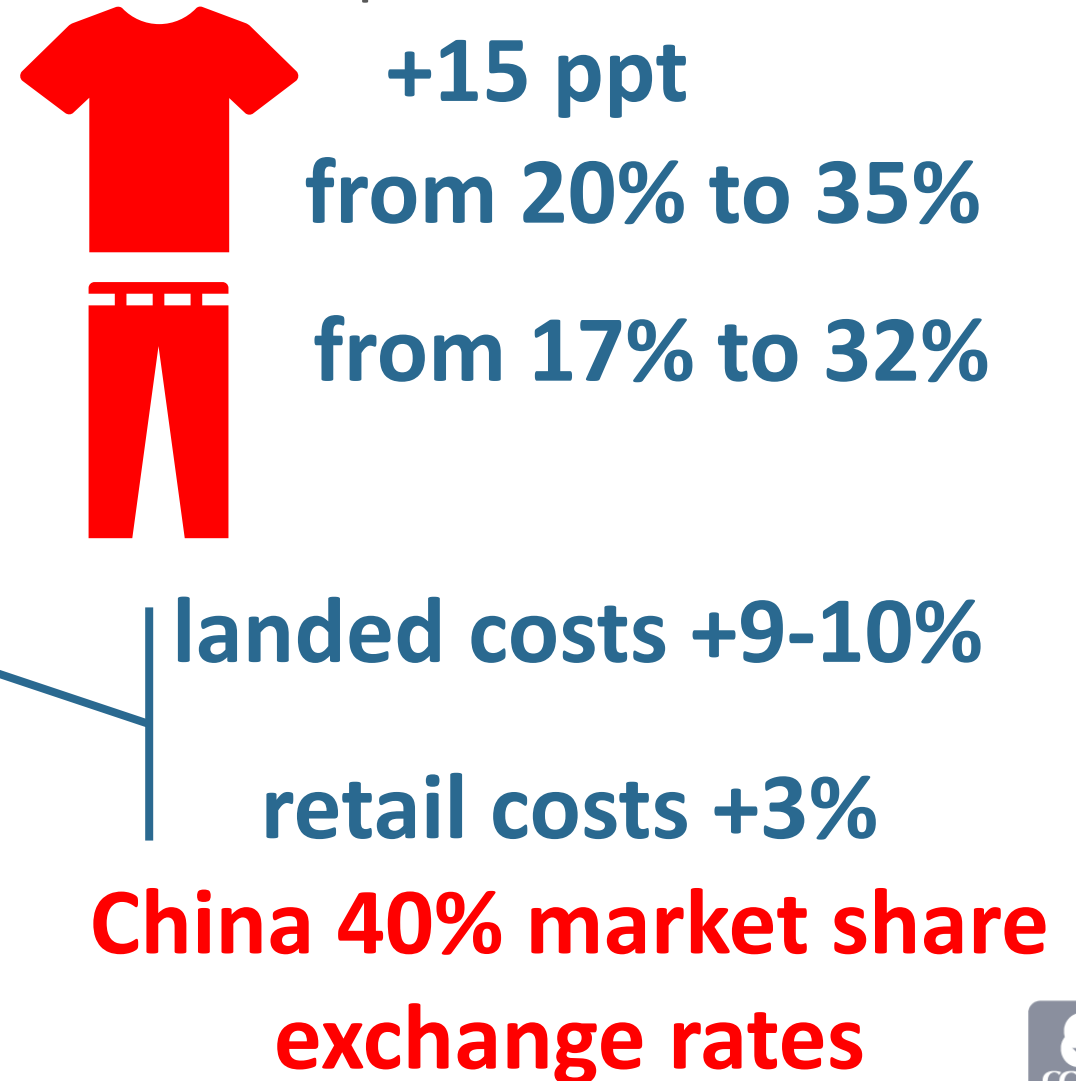


# Tariffs & Apparel Trade

Pass-through  
Of 2010/11 price spike



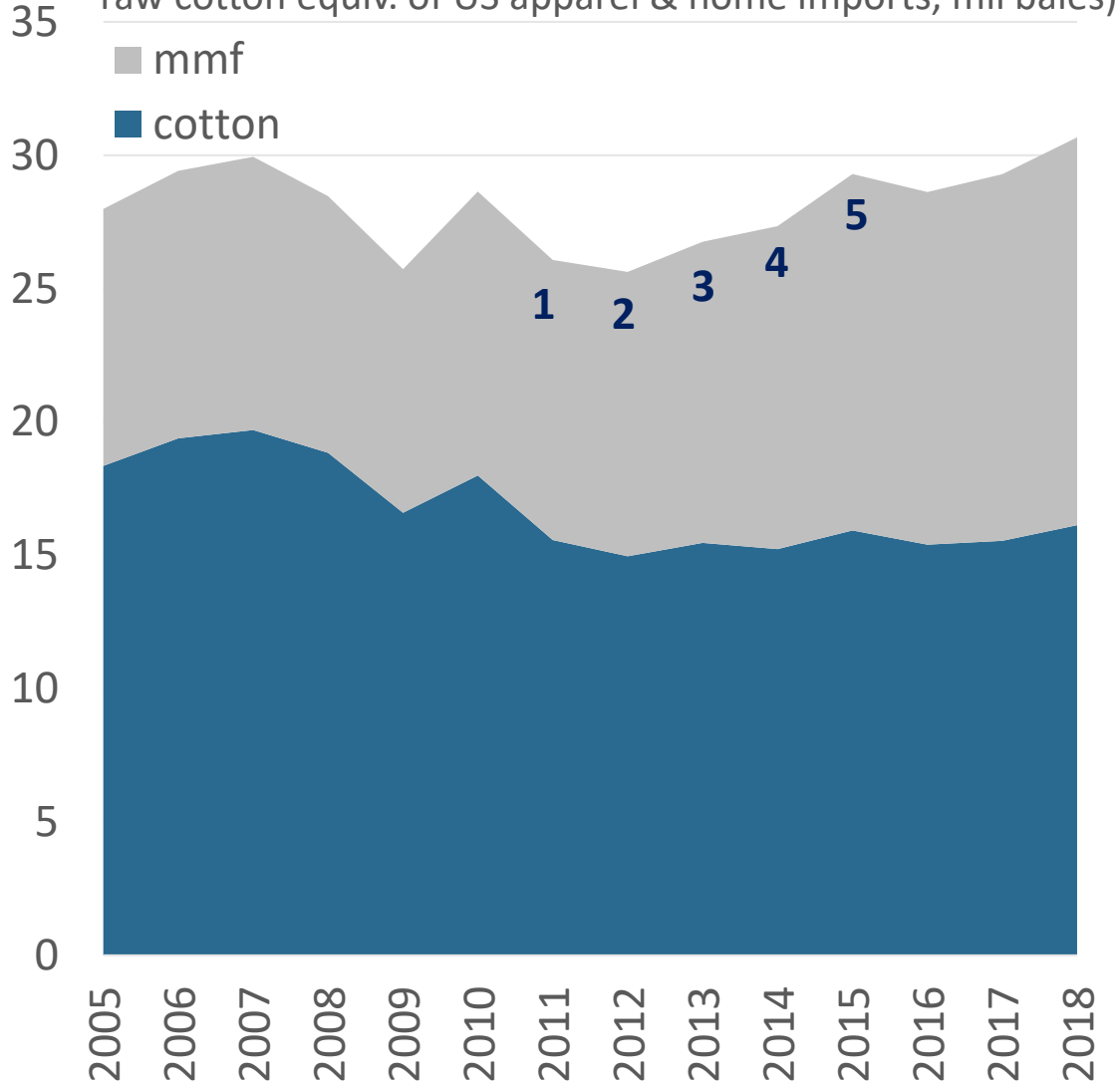
Theoretical look at  
Impact of tariffs



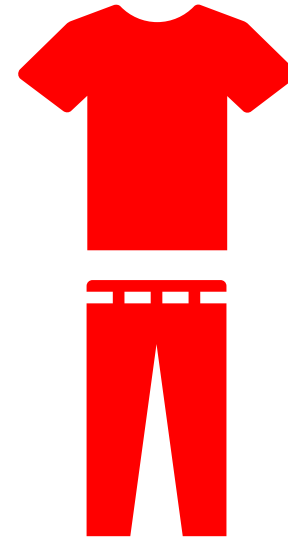
# Tariffs & Apparel Trade

## U.S. import volume

raw cotton equiv. of US apparel & home imports, mil bales)



Theoretical look at  
Impact of tariffs



**+15 ppt**

**from 20% to 35%**

**from 17% to 32%**

**landed costs +9-10%**

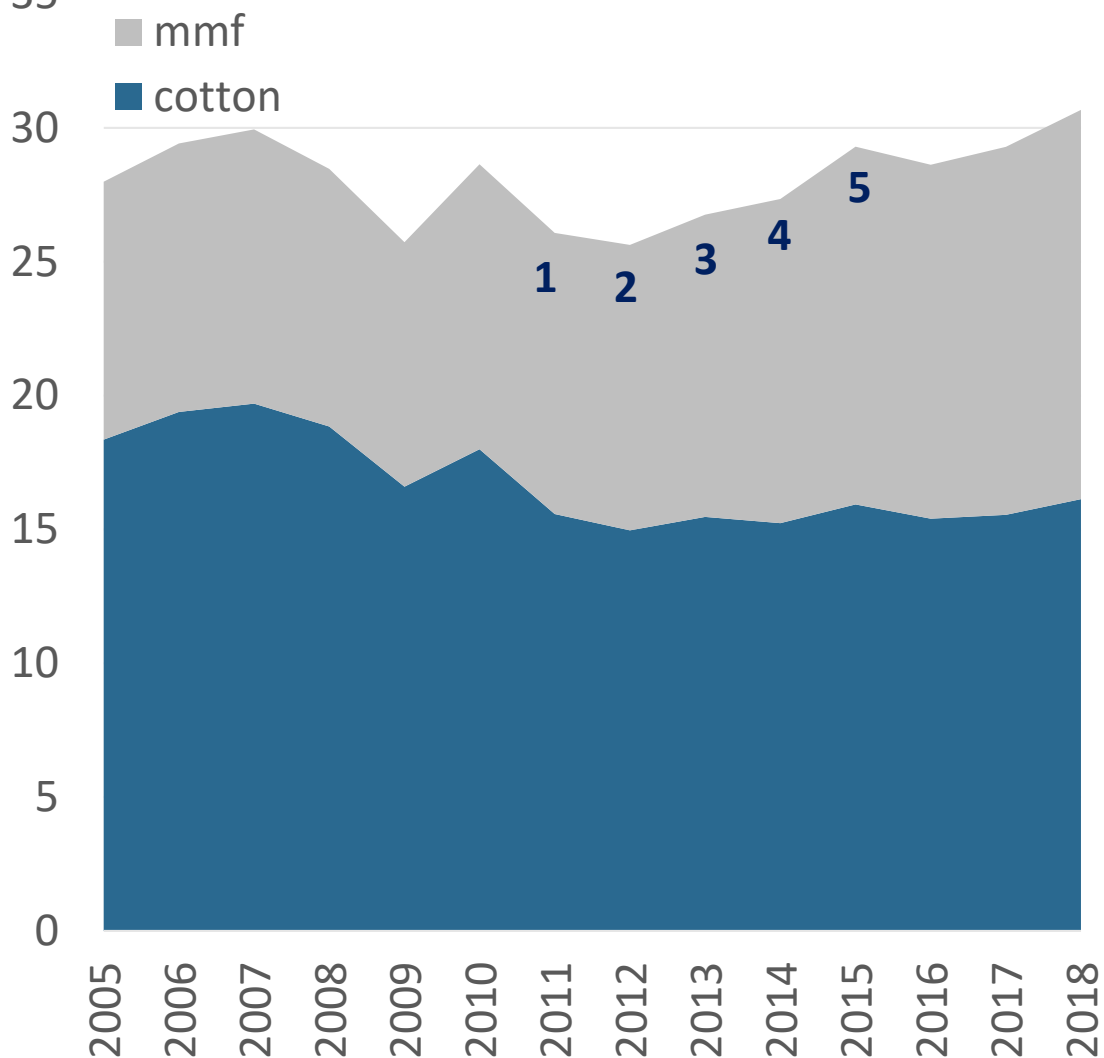
**retail costs +3%**

**China 40% market share**  
**exchange rates**

# Tariffs & Apparel Trade

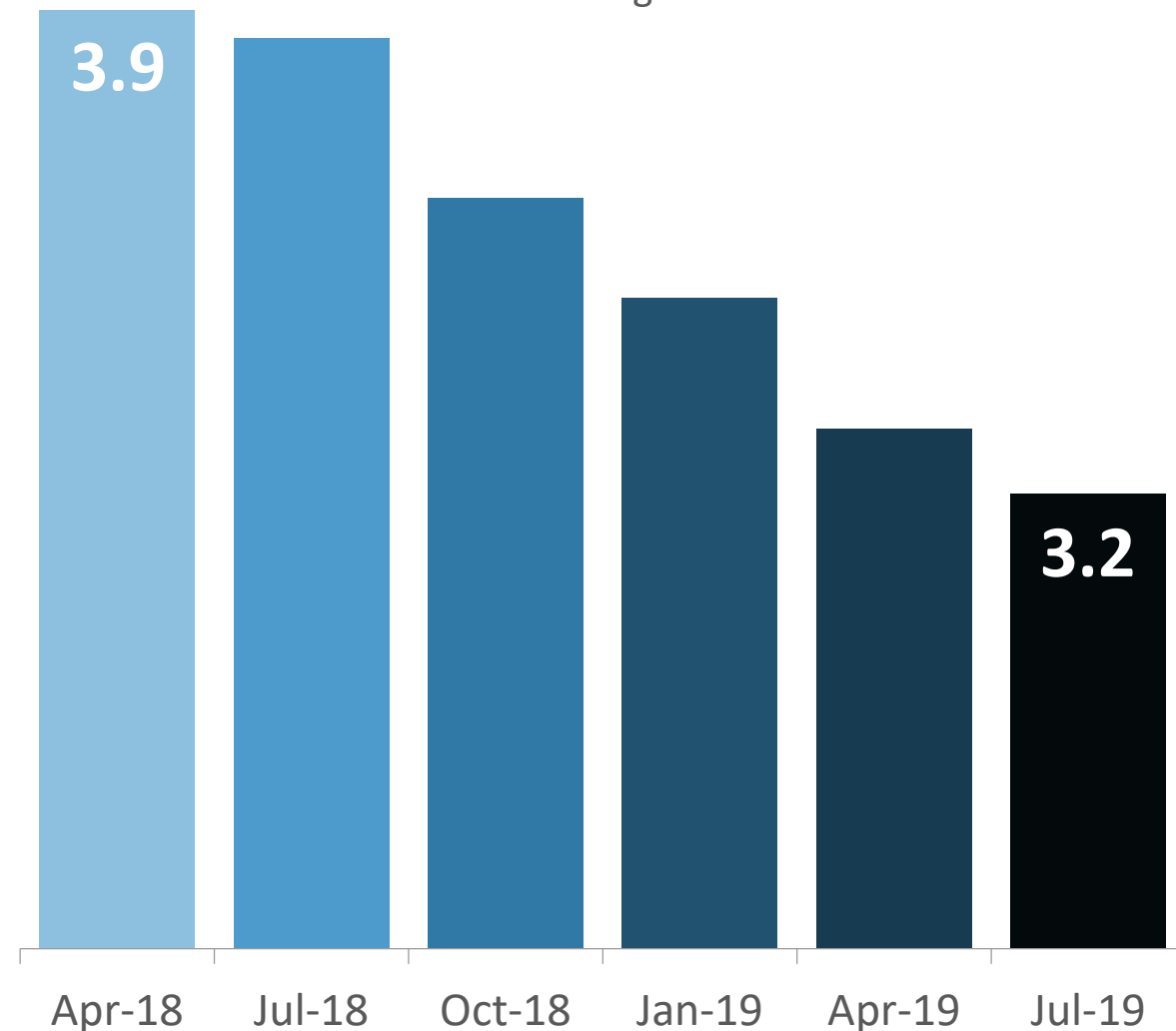
## U.S. import volume

raw cotton equiv. of US apparel & home imports, mil bales)



## Global economy weaker

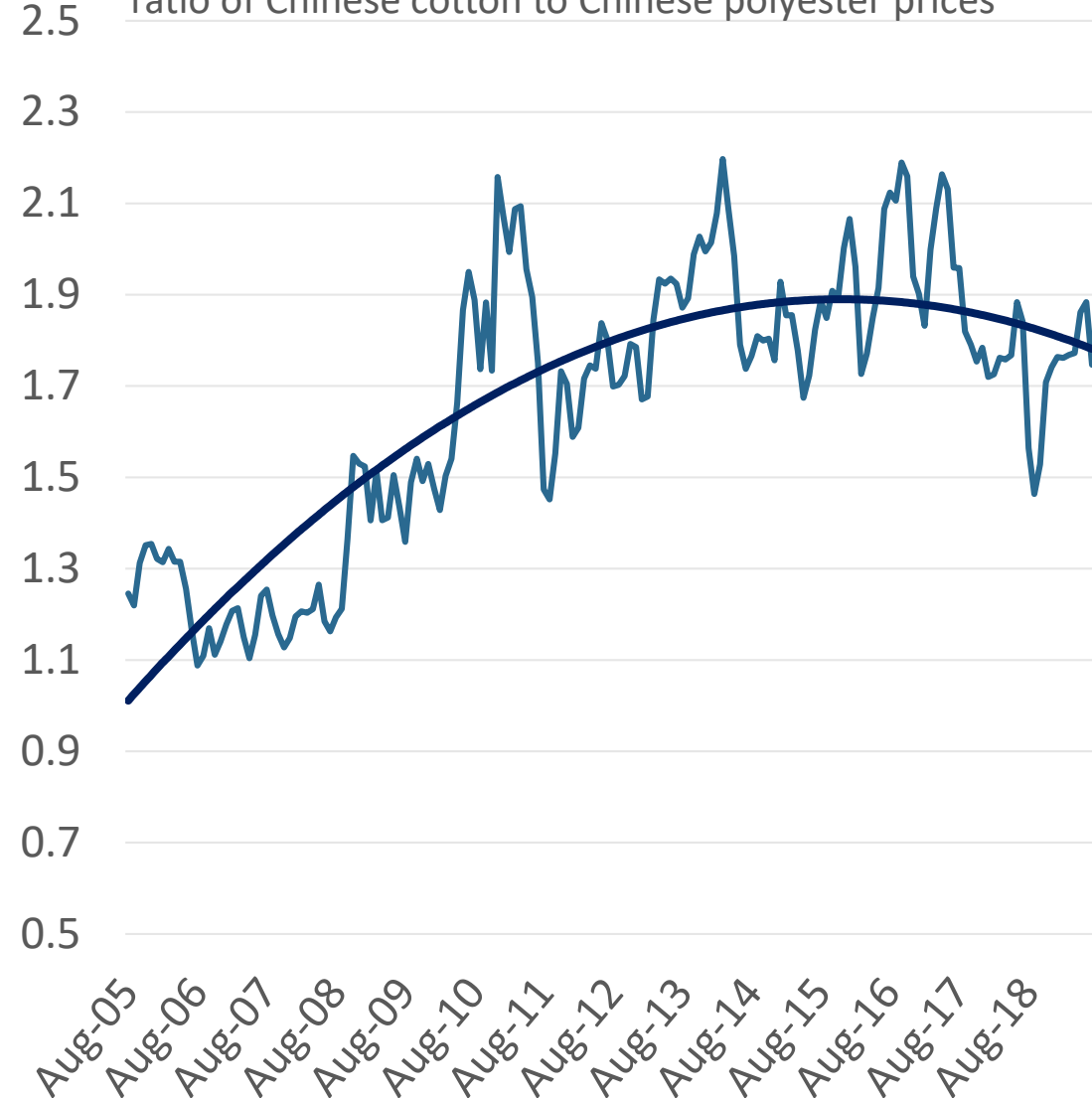
IMF forecasts for 2019 world GDP growth released at different times



# Headwinds Abating

## Cotton prices stabilized vs polyester

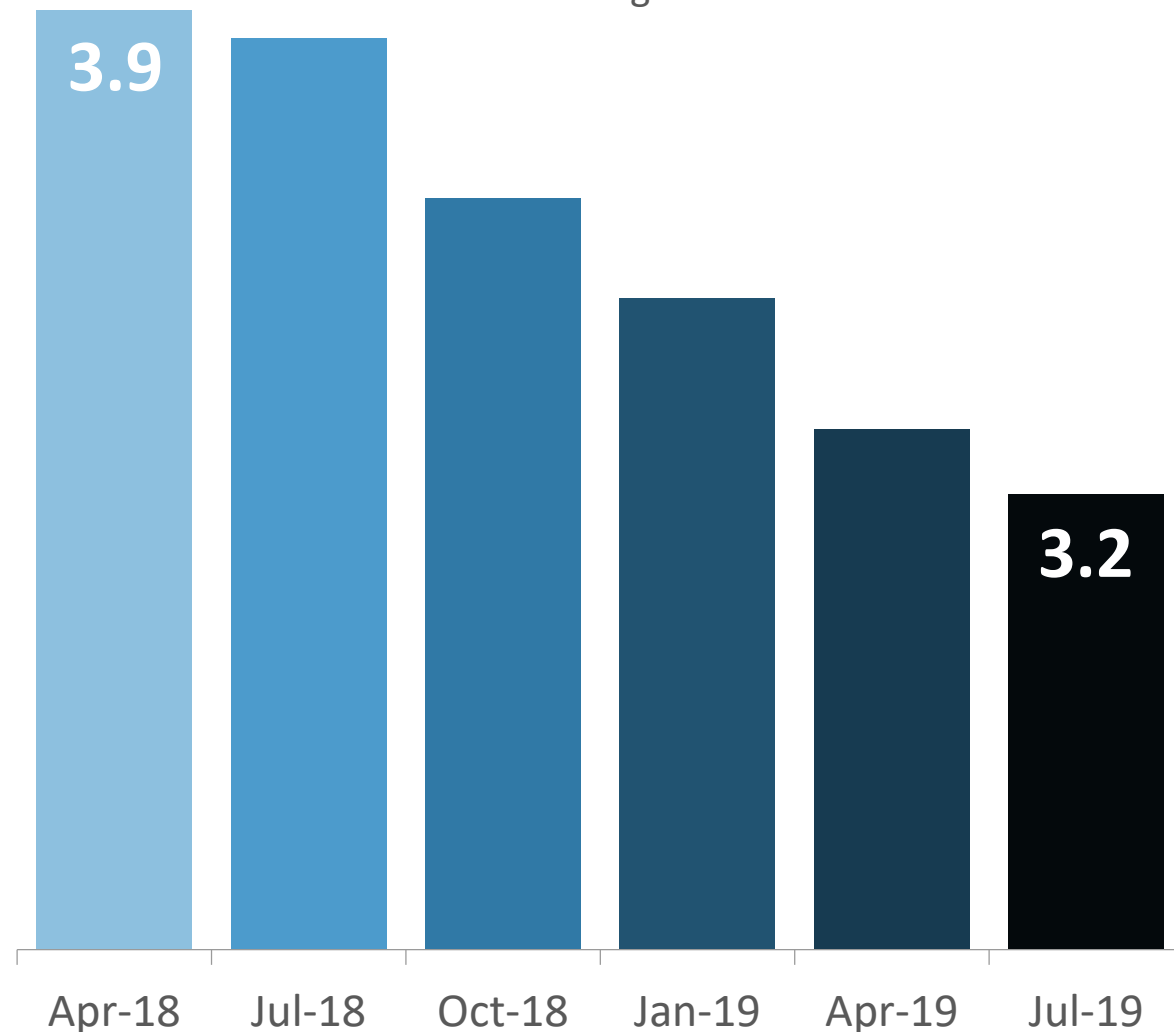
ratio of Chinese cotton to Chinese polyester prices



Sources: Emerging Textiles, IMF

## Global economy weaker

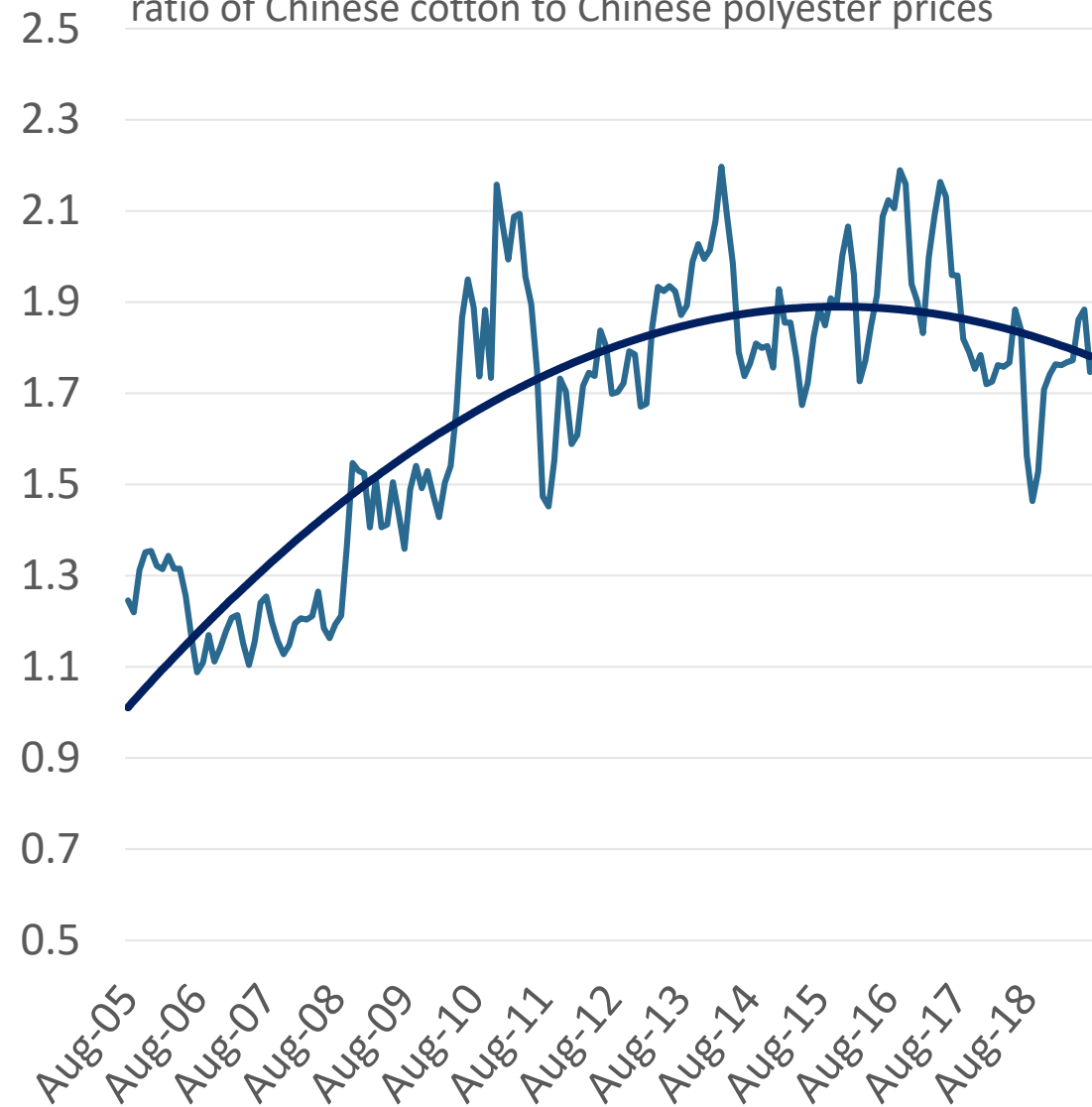
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# Headwinds Abating

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ratio of Chinese cotton to Chinese polyester prices



## Cotton's share of U.S. apparel

based on raw fiber equivalence of U.S. imports



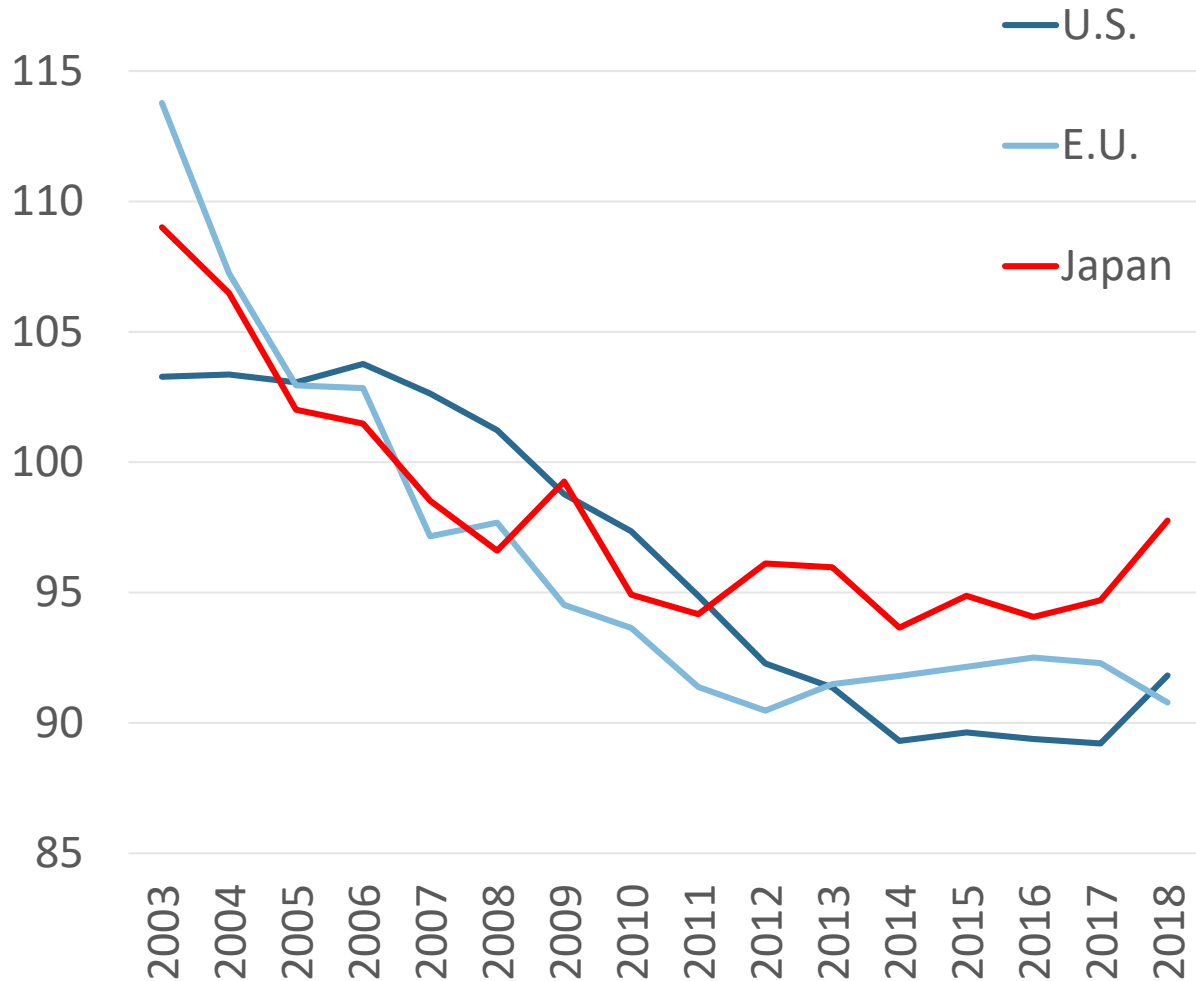
Sources: Emerging Textiles, USDA



# Headwinds Abating

## Garment weights stabilized

indexes of garment weight in the U.S., the E.U., and Japan  
(apparel of all fibers, 2006-07=100)



## Cotton's share of U.S. apparel

based on raw fiber equivalence of U.S. imports



# Outlook

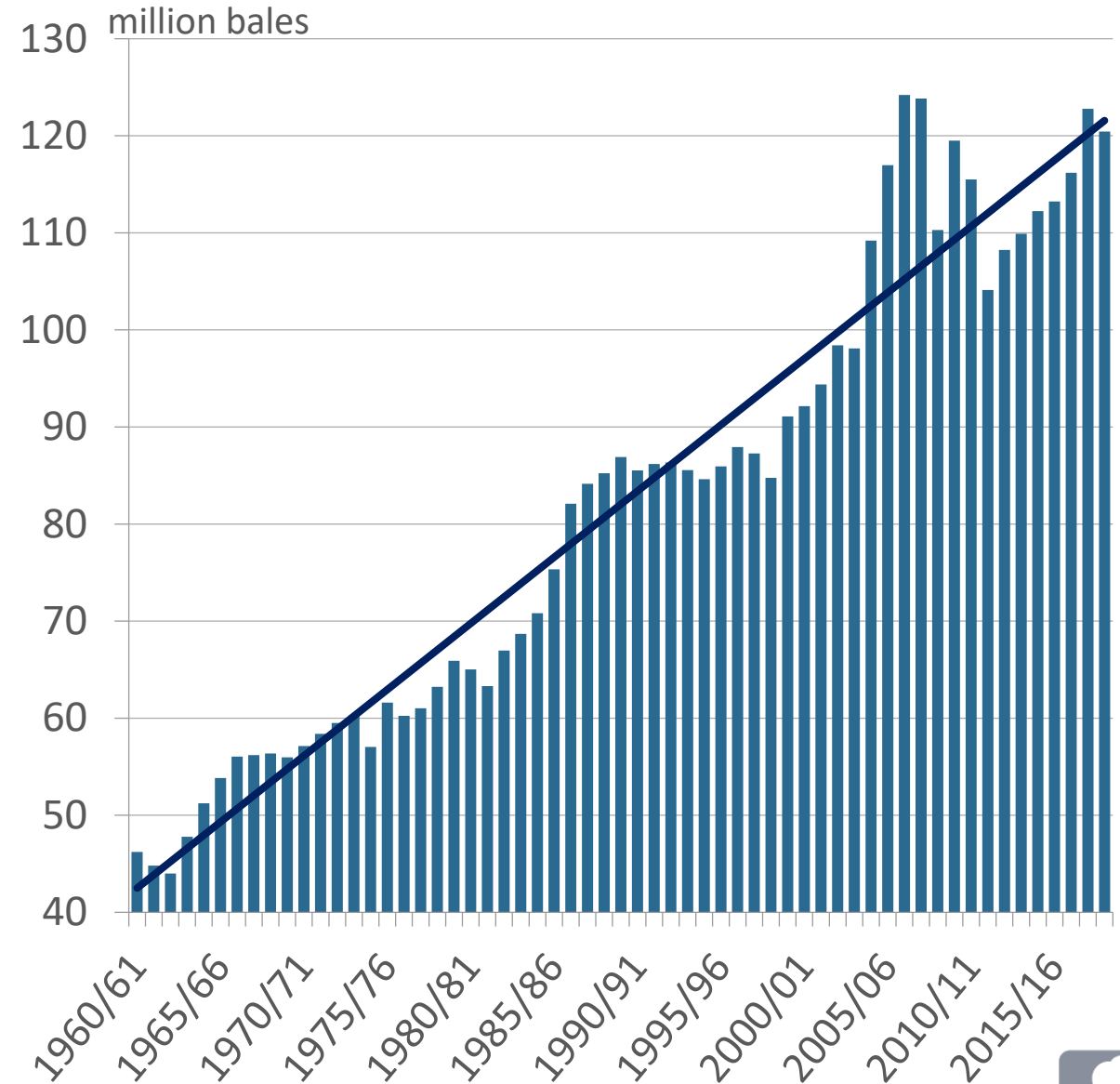
## Time of transition

- Chinese reserves drawn down
- U.S./exporter production higher

## Tariffs adding uncertainty

- U.S. fiber exports to China
- U.S. apparel imports from China
- Global economic growth

## Global demand back on trend





# The Tariff Dispute & the Cotton Supply Chain



# Webinars

Events > Webinars

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The Tariff Dispute & the  
Cotton Supply Chain

Turning the Tides:  
Tackling Our Ocean's  
Plastic Pollution  
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Breaking it Down:  
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