



Cotton's Revolutions Strategic Thinking Session:

Supply – Demand Challenges Leading To A Tipping Point?

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Dubai, 15th March, 2011

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Content Flow

- Global demand side scenario
- Supply side challenges and constraints
- Approach for going forward

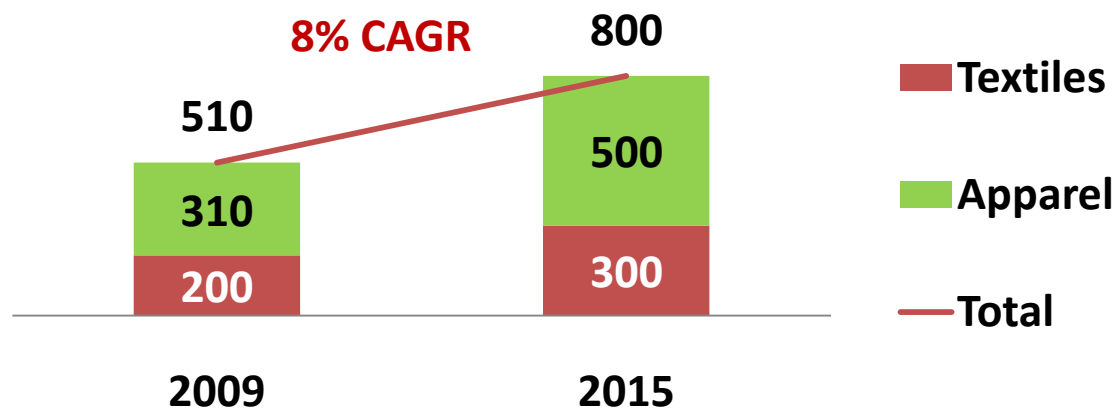
Global Textile Consumption Will Continue To Grow...

Growing Textile and Apparel Market (US\$ Bn)

Key Markets	2005	2010	2015	% CAGR (2005-15)	Absolute Increase (10 year period)
China	70	160	260	14%	190
India	30	52	90	11%	60
US	252	260	275	1%	23



Growing Global Textile and Apparel Trade (US\$ Bn)



Growth In Fibre Volume Terms...

Domestic Market Fibre Consumption (Million Tons)*

Key Markets	2005	2010	2015	% CAGR (2005-15)	Absolute Increase (10 years)
China	9	14	20	9%	11
India	4	5	7	6%	3
US	9.6	10.2	10.1	1%	0.5

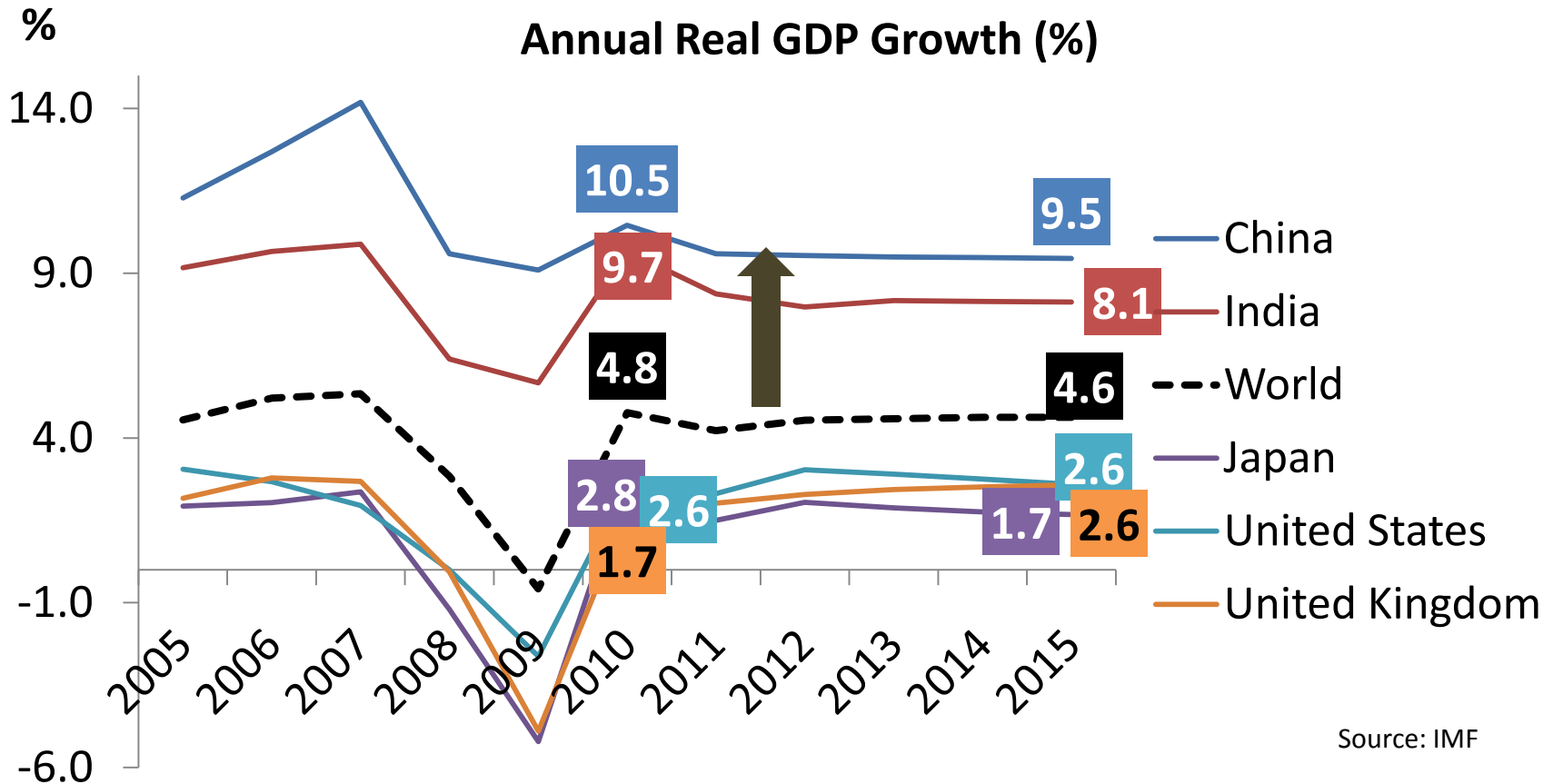


Source: UN Comtrade, US Census Bureau, Technopak Analysis

All numbers are rounded off

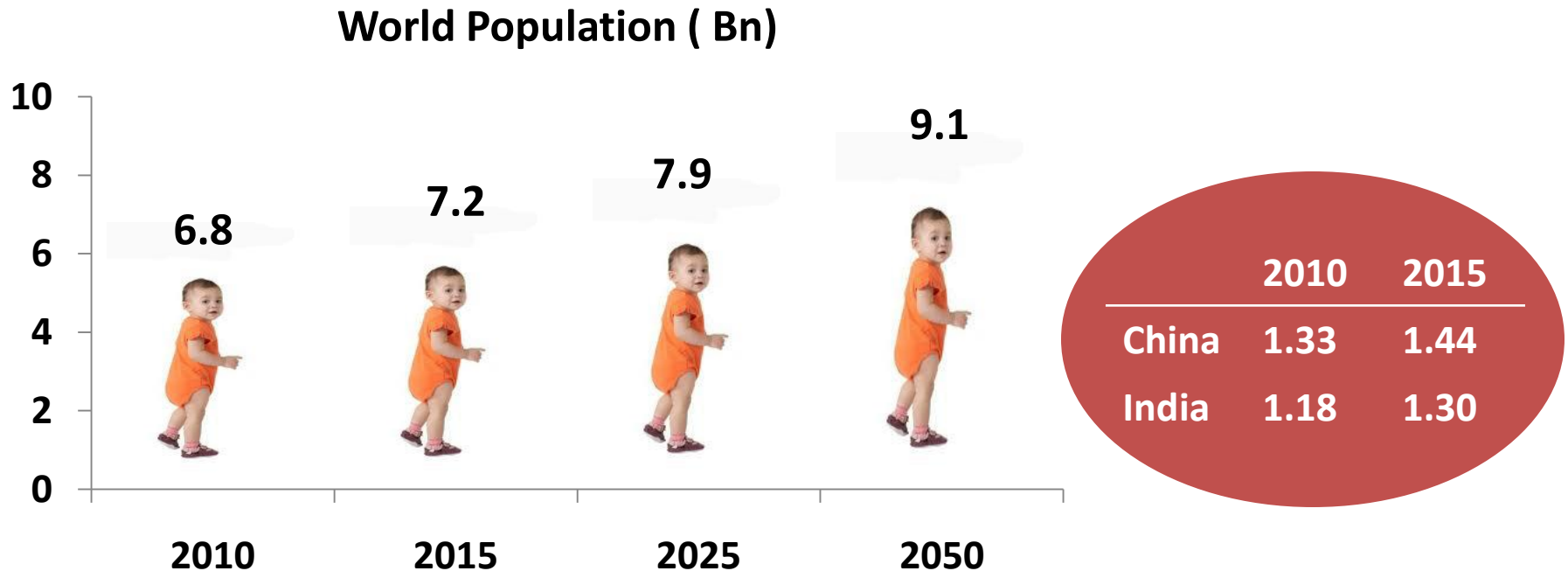
*Only for domestic market

...Driven By Fast Growing Economies



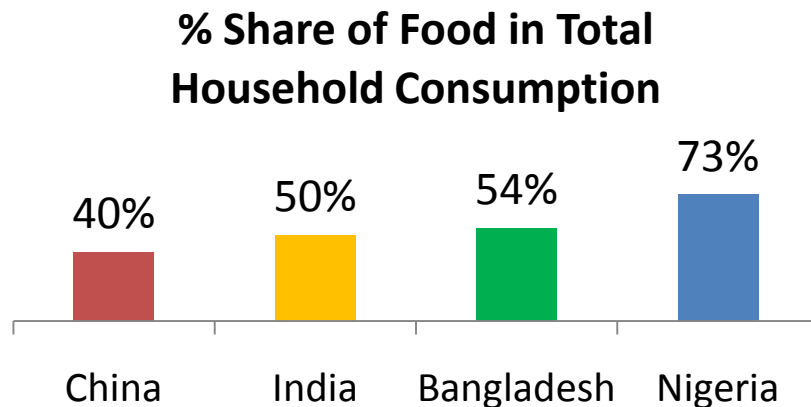
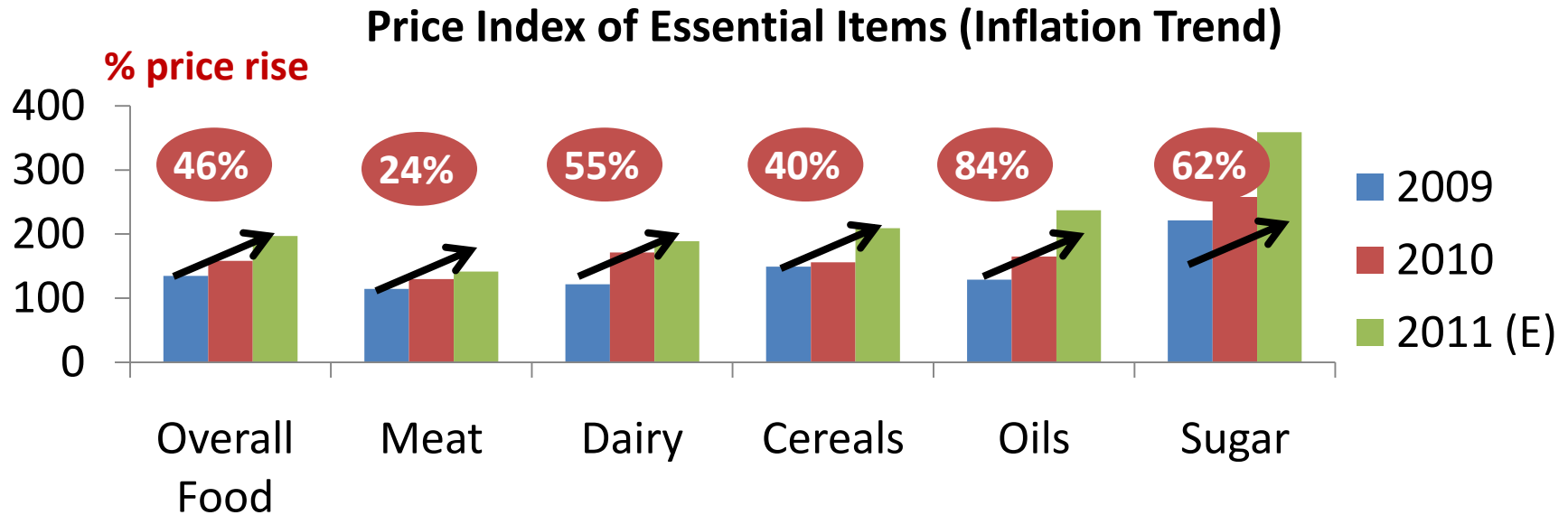
Fast growing economies like China & India will fuel the demand growth, while the developed economies will continue to sustain demand

And Growing Population.....



The steadily growing population in India & China (and elsewhere), with rising incomes, will accelerate demand of essential items.....Food / Clothing / Housing / Water /

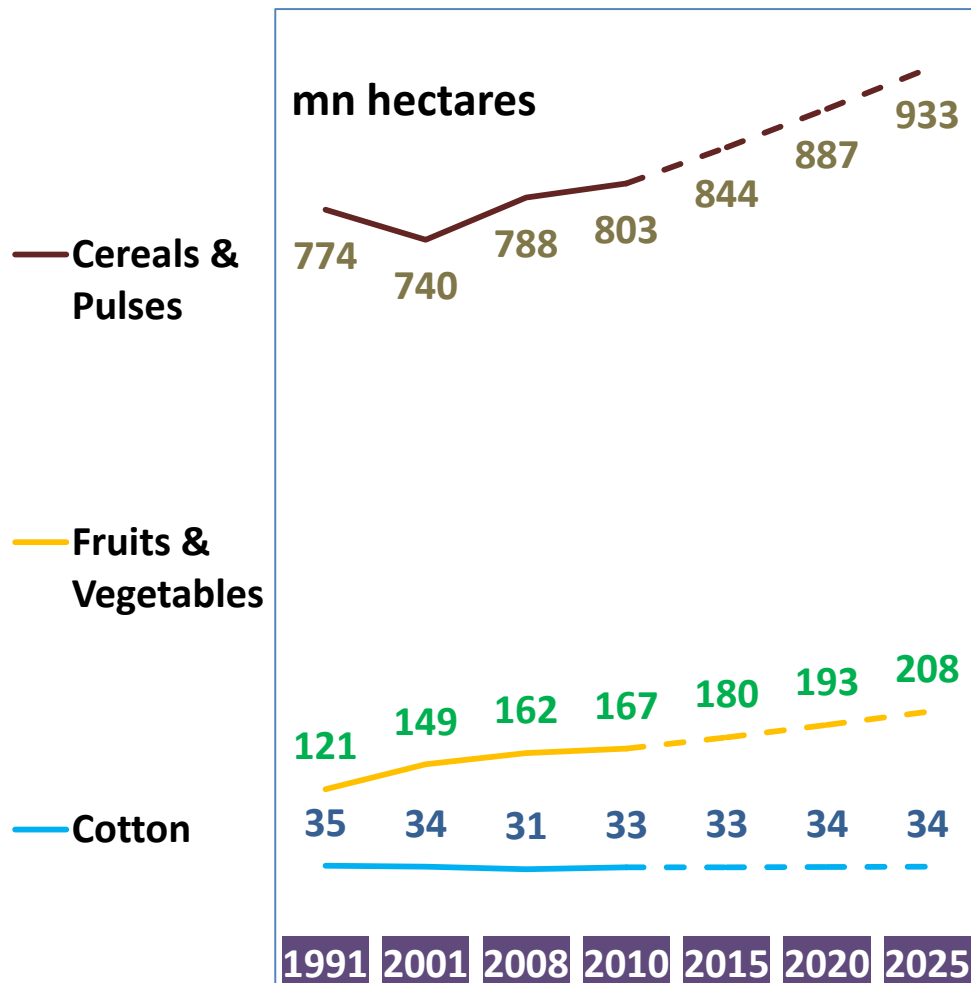
Prices Of Essential Food Items Increasing With Demand



The current food price inflation would drive the need for increased food supply to feed the growing population

Hence...In Near Future...Land Acreage Will Be Diverted For Food ...Constraining Cotton Supply

Global Arable Land Area Breakup – Projected Scenarios

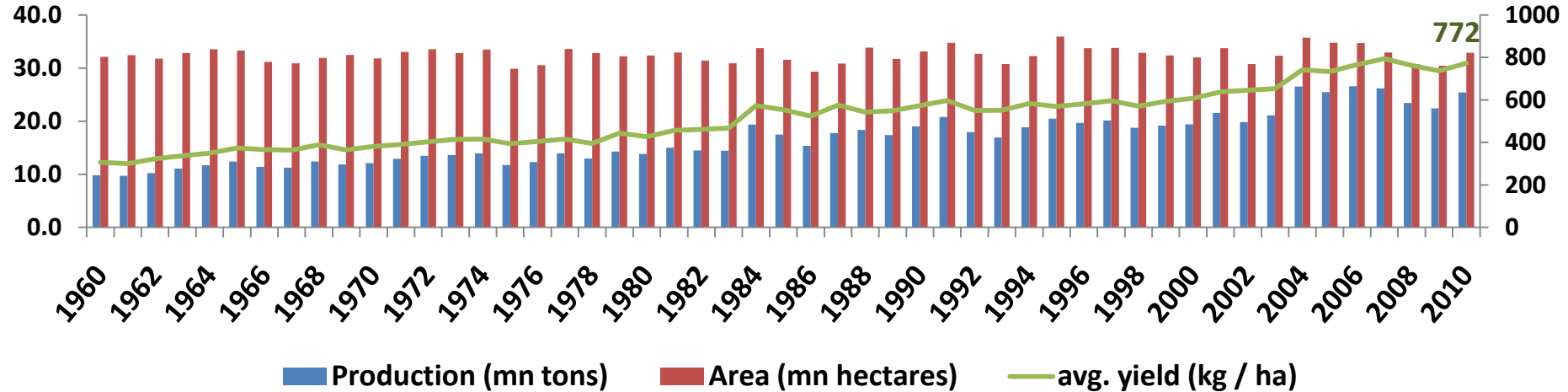


Source: USDA, FAO, Technopak Analysis

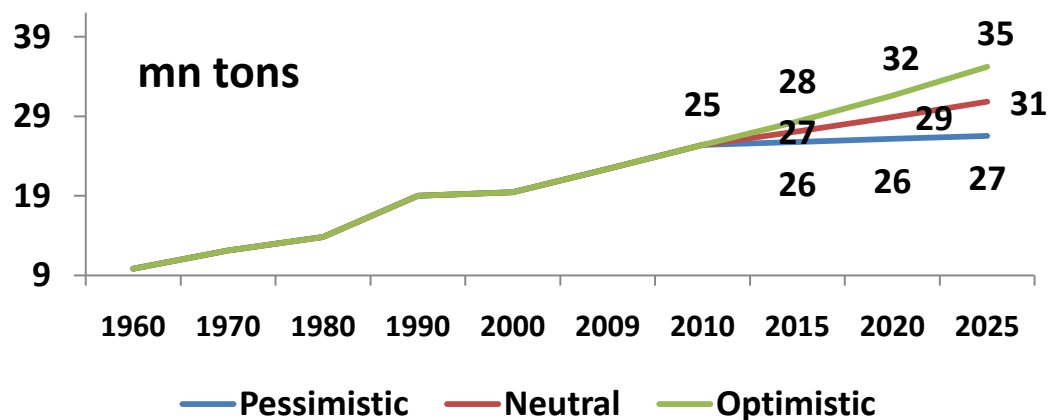
- Land for crop cultivation would be increasingly used for food crops to feed the increasing population....Hence replacing cotton acreage
- Thus land area for cotton cultivation is likely to be limited to around **34 Million hectares (or even lower)** by 2025
- Specific government intervention for food crops will further constrain availability of acreage for cotton

Hence...Cotton Production Is Not Likely To Add More Than **10 Million Tons**...By 2025

Global Cotton Production, Area and Yield



Maximum Cotton Production - Scenarios



Yield assumptions

Optimistic : Yield growth 2%

Neutral : Yield growth 1.5%

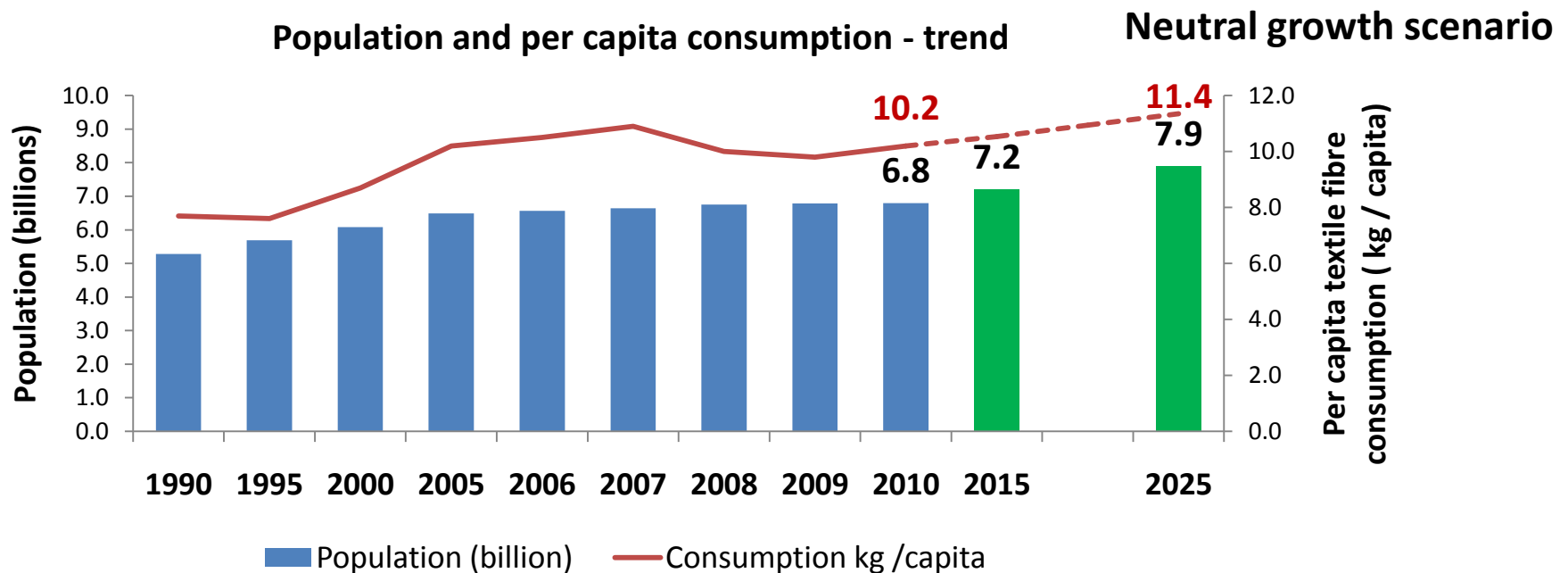
Pessimistic: Yield growth 1%

Source: USDA, FAO, Technopak Analysis

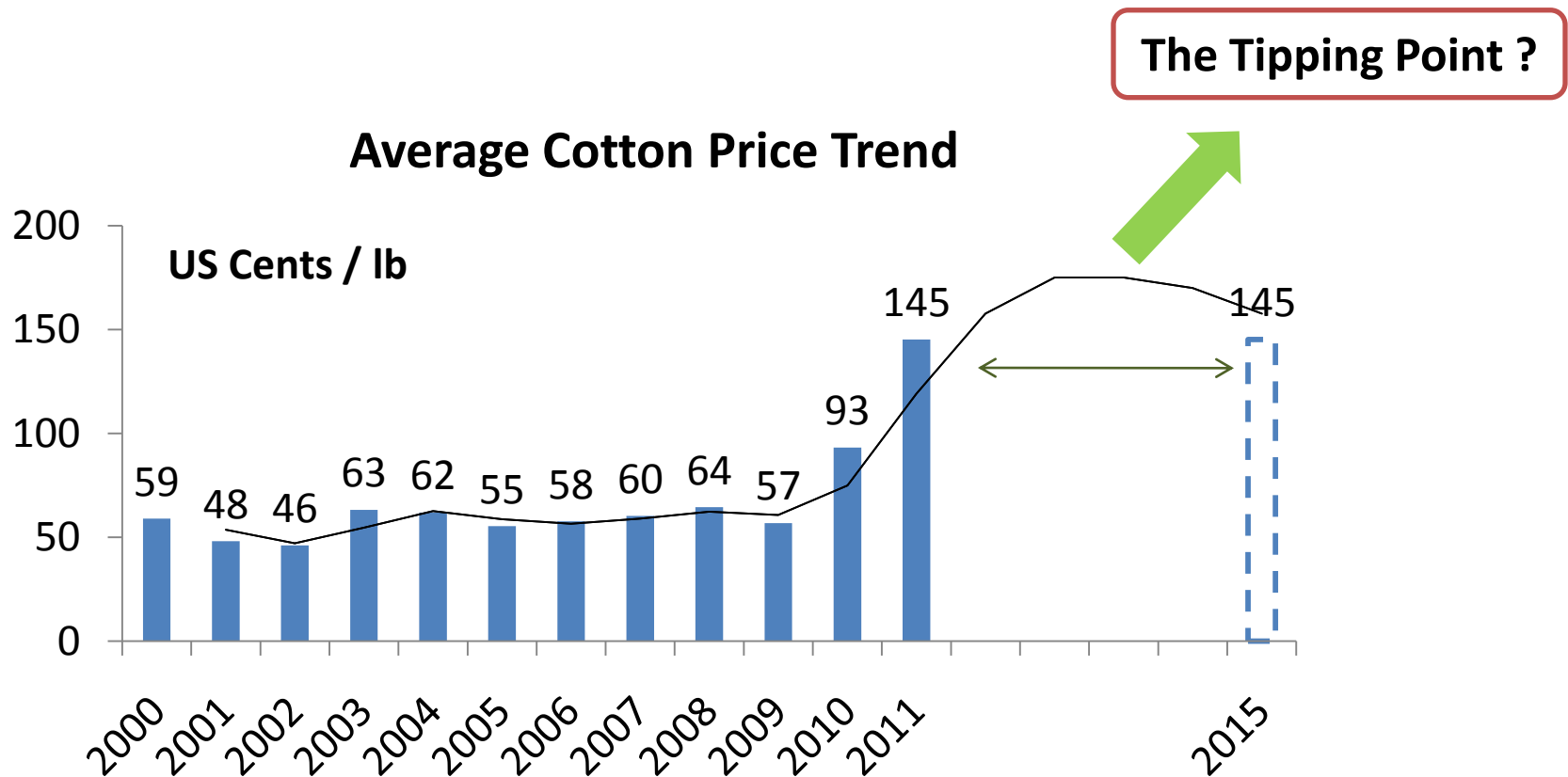
However ...There Will Be Additional Demand Of ~20 Million Tons Of Fibre By 2025

Considering medium growth..... By 2025...

- World population will increase by approx. **1 billion**
- Per capita fibre consumption is expected to grow steadily in the long term up to **11 - 12 kg per capita** by 2025
- This means additional fibre consumption of approx. **20 million tons**

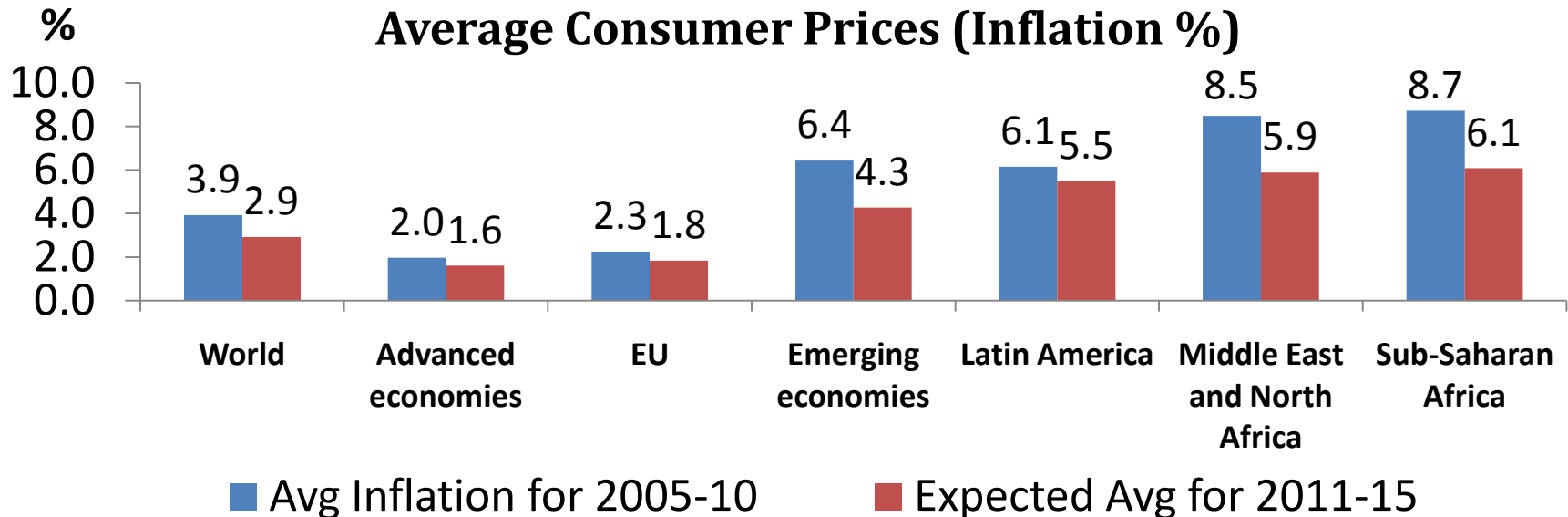


Hence Cotton Prices Are Likely To Remain High Due To The Demand Changes



Source: FAO Statistics

And....Retail Inflation Is Here To Stay



In UK, clothing inflation is expected to reach +4.4% this year, ahead of other retail sectors such as food

In India, major clothing retailers and brands have increased prices by 10-15%

The rise in cotton and mmf prices will force retailers to increase retail prices...something already being witnessed in the consumption markets

Approach Going Forward ?





1. Re-Positioning Of Cotton?

Going Forward... Can /
Should Cotton Be Accepted
And Re-positioned As A More
Premium Fibre ?

2. Enhanced Collaboration Among All Players In The Fiber - Retail Value Chain ?



3. Enhanced Value Proposition & Efficiencies ?

- Adding value through product and business practices innovation?
- Higher vertical / virtual Integration?
- Even more emphasis on manufacturing excellence?
- Make supply chain more efficient



Conclusion

- Another tipping point for global textile and clothing business may be around the corner
- Raw material price increases may become a part of life and business strategies may have to be reworked to incorporate this
- Even more important to be value driven rather than price driven.
- All stake-holders in the cotton fiber / cotton based business have to reflect on repositioning of cotton in order to be able to pass on some of the current and future price increases to the end customers

Thank You !





For Further Interaction,
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