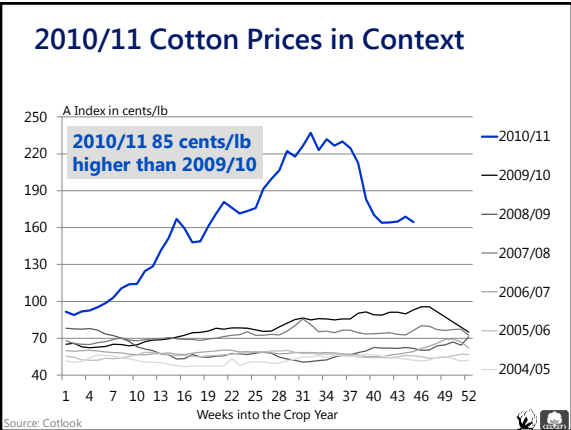


## A Pass-through Analysis of the Cotton Supply Chain

2012 Beltwide Cotton Conferences

Jon Devine  
Cotton Incorporated

Alejandro Plastina  
International Cotton Advisory Committee



### Theoretical Pass-Through for Cotton

Product	Avg. Retail Weight (lbs)
T-shirt	0.40
Polo Shirt	0.52
Woven Shirt	0.42
Jeans	1.54
Towels	0.71
Sheets	1.68

Sources: Cotton Incorporated Retail Monitor™, USDA ERS, US ITC

### Theoretical Pass-Through for Cotton

Product	Avg. Retail Weight (lbs)	Total Cotton Required (lbs)
T-shirt	0.40	0.41
Polo Shirt	0.52	0.54
Woven Shirt	0.42	0.50
Jeans	1.54	1.92
Towels	0.71	0.75
Sheets	1.68	1.37

Sources: Cotton Incorporated Retail Monitor™, USDA ERS, US ITC

### Theoretical Pass-Through for Cotton

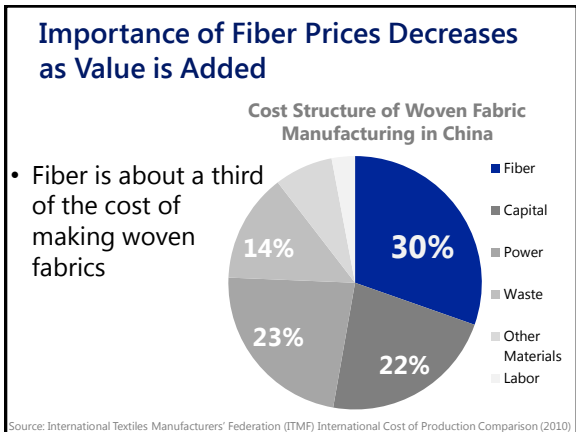
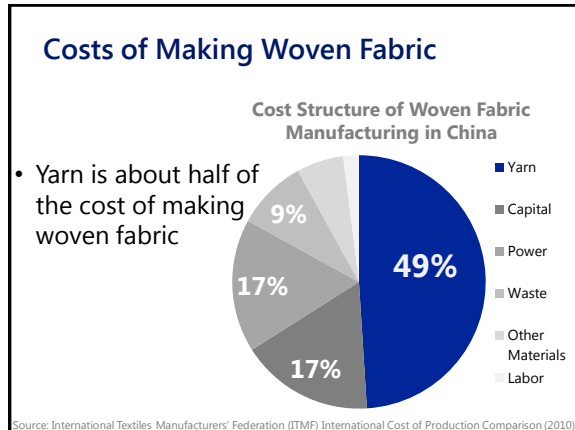
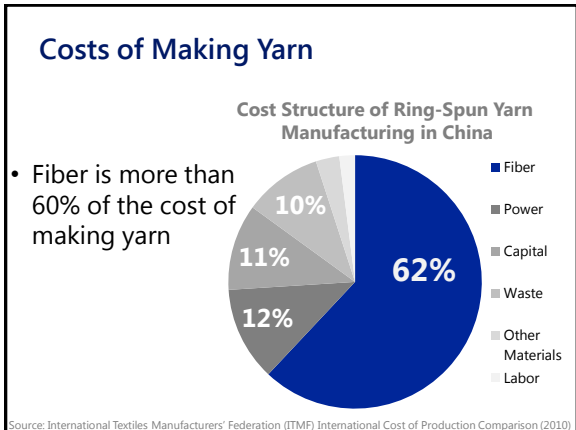
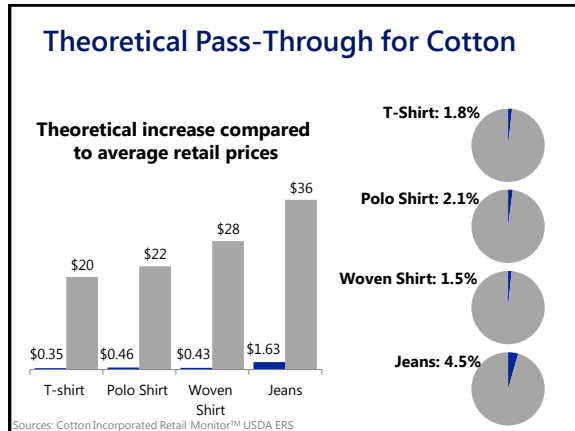
Product	Avg. Retail Weight (lbs)	Total Cotton Required (lbs)	Price Multiplier
T-shirt	0.40	0.41	x 85¢/lb
Polo Shirt	0.52	0.54	x 85¢/lb
Woven Shirt	0.42	0.50	x 85¢/lb
Jeans	1.54	1.92	x 85¢/lb
Towels	0.71	0.75	x 85¢/lb
Sheets	1.68	1.37	x 85¢/lb

Sources: Cotton Incorporated Retail Monitor™, USDA ERS, US ITC

### Theoretical Pass-Through for Cotton

Product	Avg. Retail Weight (lbs)	Total Cotton Required (lbs)	Theoretical Effect of 85¢/lb Increase
T-shirt	0.40	0.41	<b>\$0.35</b>
Polo Shirt	0.52	0.54	<b>\$0.46</b>
Woven Shirt	0.42	0.50	<b>\$0.43</b>
Jeans	1.54	1.92	<b>\$1.63</b>
Towels	0.71	0.75	<b>\$0.64</b>
Sheets	1.68	1.37	<b>\$1.16</b>

Sources: Cotton Incorporated Retail Monitor™, USDA ERS, US ITC



### Questions

- 1) **How much** will the increases in fiber prices result in price increases downstream?
- 2) **When** will the increases in fiber prices show up downstream?

Source: Cotton Incorporated Retail Monitor™, USDA ERS

**Questions**

- 1) **How much** will the increases in fiber prices result in price increases downstream?
- 2) **When** will the increases in fiber prices show up downstream?

**Hypotheses**

- Relative effects of cotton prices diminish downstream in supply chains



**Questions**

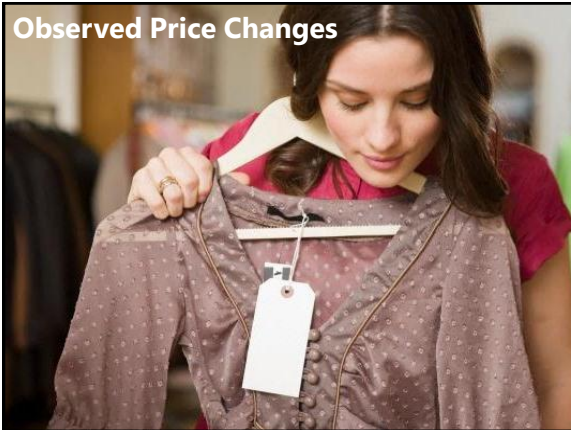
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- 2) **When** will the increases in fiber prices show up downstream?

**Hypotheses**

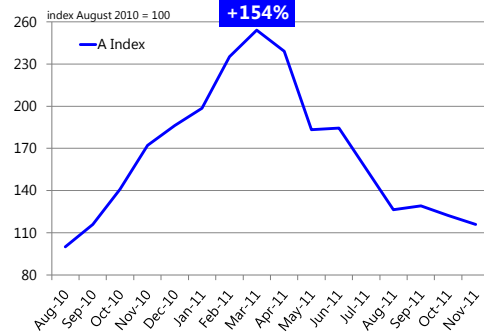
- Relative effects of cotton prices diminish downstream in supply chains  
 - Different stages of the supply chain affected at different times



**Observed Price Changes**



**Indexed Price Movement**



Sources: Cotlook, Global Trade Atlas, US Department of Commerce, US Bureau of Labor Statistics



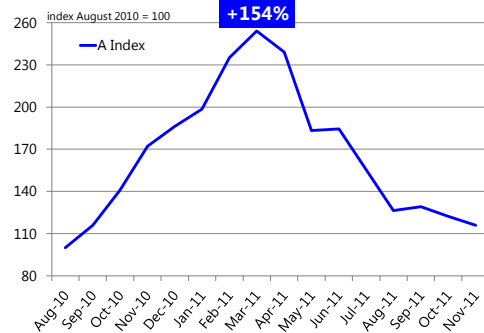
**A Index Prices for Future Delivery**

**Cotlook A Index**

2010/2011	243.65	0.40	
Composition (all 1-3/32")	Price	Change	Shtpt
MOT Midd	238.50	1.00	4/5
Memphis/Eastern Midd	241.00	Unch	4/5
Benin BELA	245.00	Unch	5/6
Mali ROKY/KATI	245.50	Unch	5/6
Australian Midd	248.25	1.00	7/8
Burkina Faso RUDY	246.50	Unch	5/6
Uzbekistan Midd	256.50	1.00	3/4
Central Asian Middr	236.00	1.00	3/4
California/Arizona Midd	NQ		
Ivory Coast BEMA	NQ		
Indian H4/MECH-1/Bunny	NQ		
Greek Midd	NQ		
Tanzanian SG1	NQ		
Syrian Midd	NQ		
Pakistan Type 1503	NQ		
Mexican Midd	NQ		
Chinese 328	NQ		
Turkish SE Std. 1	NQ		
Brazilian Midd	NQ		
Paraguayan Midd	NQ		

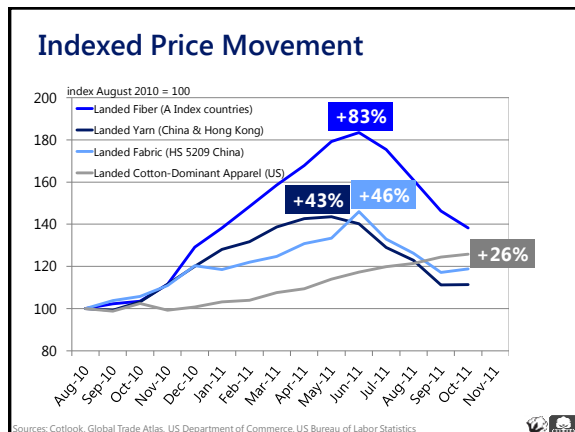
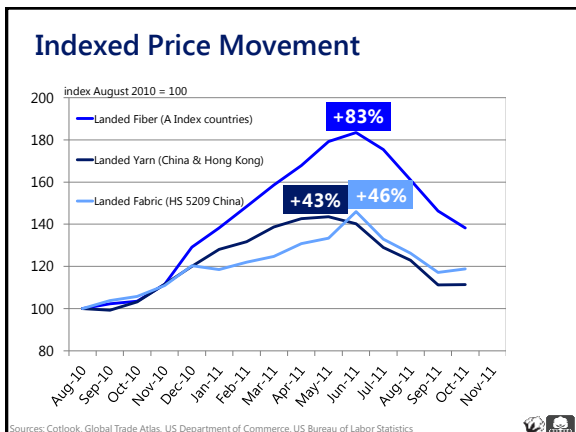
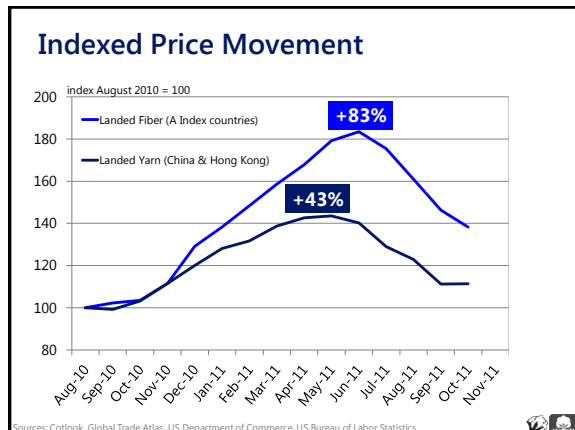
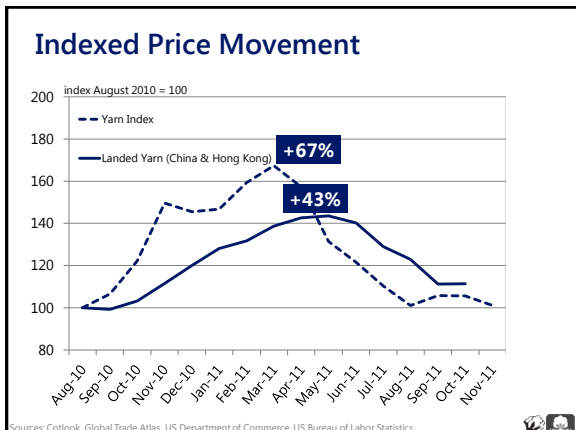
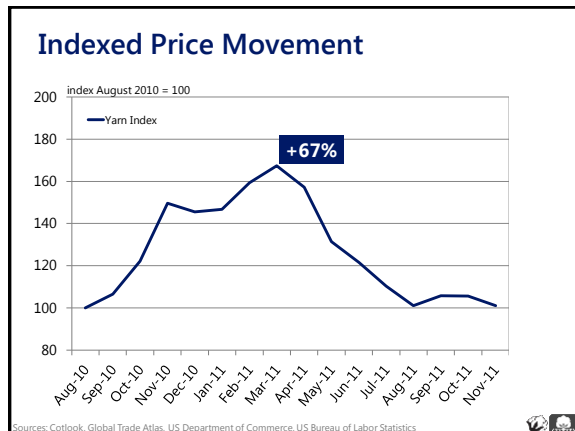
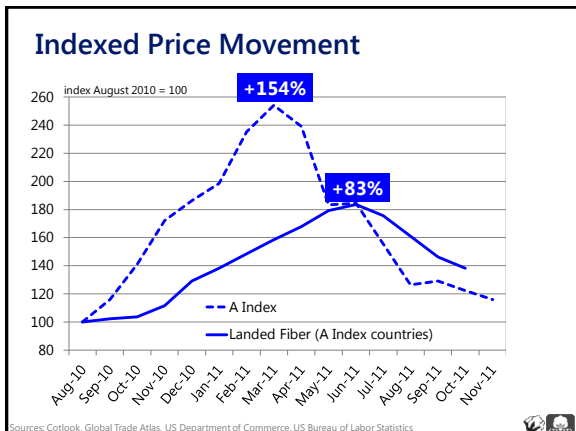
A Index quotes for delivery in several months

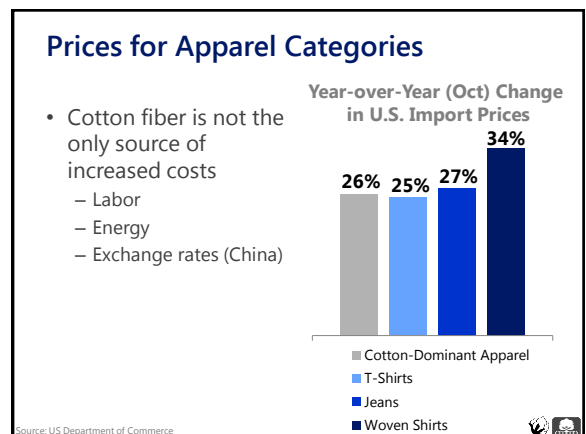
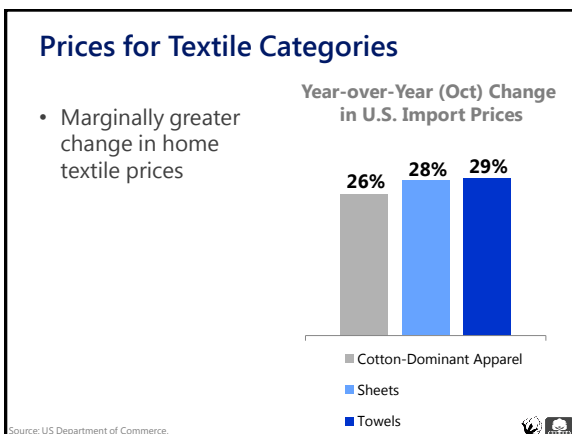
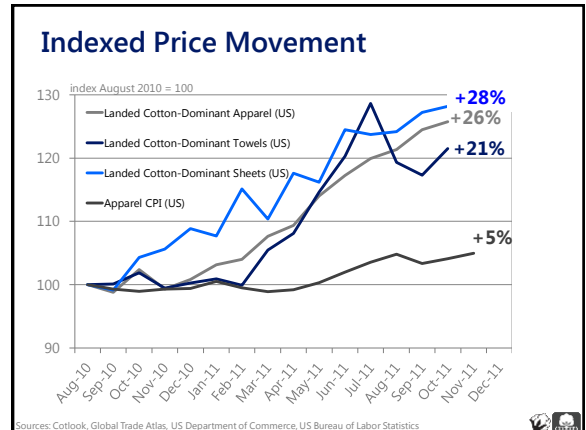
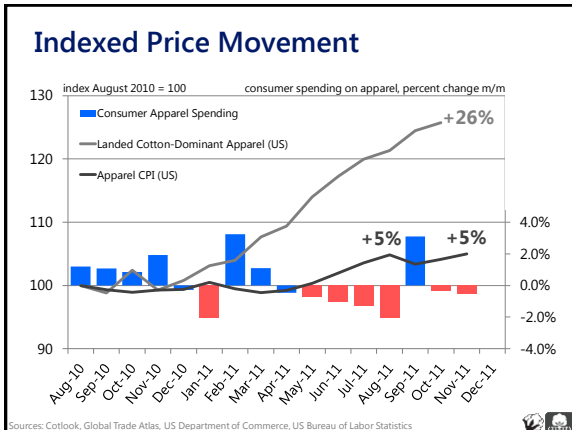
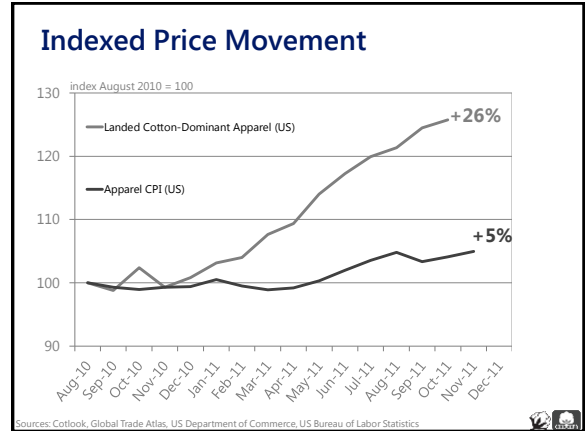
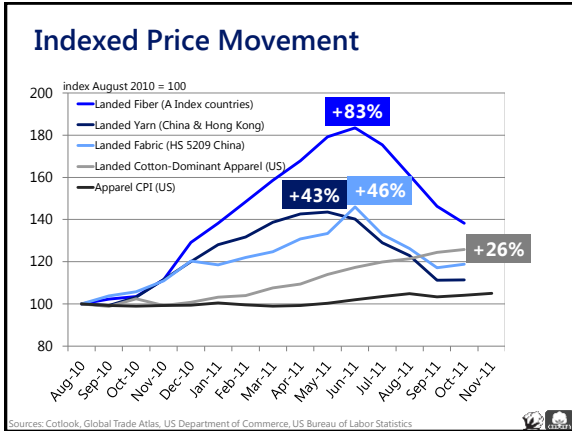
**Indexed Price Movement**



Sources: Cotlook, Global Trade Atlas, US Department of Commerce, US Bureau of Labor Statistics







## Summary of Price Movement

	Month of Peak	Magnitude of Peak (versus Aug. 2010)	Lag of Peak Relative to A Index
<b>Quoted Prices</b>			
A Index	March	+154%	n/a
Yarn Index	March	+67%	contemporaneous

Sources: Cotlook, Global Trade Atlas, US Department of Commerce, US Bureau of Labor Statistics



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<b>Landed Prices</b>			
Fiber	June	+84%	3 months
Yarn	May	+43%	2 months
Woven Fabric	June	+46%	3 months
Cotton-Dom. Apparel	n/a	+26%	>9 months
Cotton-Dom. Towels	July	+29%	4 months
Cotton-Dom Sheets	n/a	+28%	>9 months

Sources: Cotlook, Global Trade Atlas, US Department of Commerce, US Bureau of Labor Statistics



## Summary of Price Movement

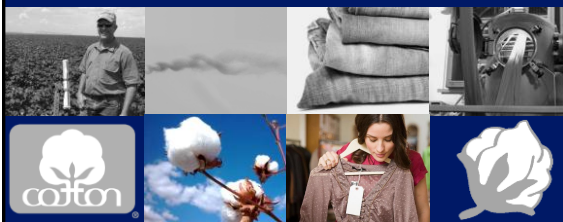
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Cotton-Dom Sheets	n/a	+28%	>9 months
<b>Retail</b>			
Apparel CPI	n/a	+5%	>9 months

Sources: Cotlook, Global Trade Atlas, US Department of Commerce, US Bureau of Labor Statistics



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