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Cotton and Products

Annual

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Report Highlights:
The German textile industry continues to close or relocate production facilities outside Germany due to strong competition from low cost countries. This also affects cotton spinning and weaving companies. As a consequence, German imports of raw cotton dropped by 23 percent to 81,854 MT in MY 2003/04. The top five suppliers were Chad, Greece, Mali, Sudan, and Uzbekistan. The Unites States ranked number six with 5,760 MT and a market share of 7 percent.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

For climatic reasons there is no domestic raw cotton production in Germany. The country therefore depends on the import of cotton and cotton products for its textile and apparel industry.

Tough competition from low cost countries continues to force the German textile and apparel industry to move production facilities from Germany to countries in Eastern Europe and Asia. Cotton spinning and weaving companies have followed this relocation trend with a certain time lag. Chances for profitable domestic production of textiles are mostly limited to niche markets and textiles for technical uses.

This results in declining domestic use and imports of raw cotton. In MY 2003/04 German imports of raw cotton totaled 81,854 MT, this is about 24,000 MT or 23 percent less than in the previous season. The top two suppliers of raw cotton to the German market in MY 2003/04 were Chad, and Greece, with 10 percent and 8.3 percent of the market share, respectively. They were followed by Mali, and Sudan, with 8.1 percent market share each and Uzbekistan, with 7.8 percent. The United States ranked number six with 5,760 MT and a market share of 7 percent in MY 2003/04. About 70 percent of the cotton imported from the U.S. consisted of Pima.

Despite decreasing raw cotton imports, it is important to maintain marketing efforts for U.S. cotton on the German market, as U.S. cotton increasingly enters Germany as finished product (textile or apparel) rather than as raw cotton. Consequently marketing efforts should be directed to the consumers rather than spinning and weaving industry to create a demand for products containing U.S. cotton.

Production

For climatic reasons there is no domestic raw cotton production in Germany. The country therefore depends on the import of cotton and cotton products for its textile and apparel industry.

Consumption

Calculated consumption (=beginning stocks + imports – exports – ending stocks) of raw cotton amounted to 71,275 MT[1] in MY[2] 2003/04 versus 100,639 in MY 2002/03, a decline of 29 percent. The reason for this drastic decline is the relocation of a number of German spinning and weaving mills to the Czech Republic. Figures for the first 6 month (August through January) of MY 2004/05 show a further reduction in calculated consumption, however on a lower level than in the previous year. For the full marketing year MY 2004/05 calculated consumption is expected to add up to about 65,000 MT, about 9 percent below the MY 2003/04 level. For MY 2005/06 this trend is expected to continue, with a calculated consumption of 60,000 MT.

Tough competition from low cost countries continues to force the German textile and apparel industry to move production facilities from Germany to countries in Eastern Europe and Asia. Chances for profitable domestic production of textiles are mostly limited to niche markets and textiles for technical uses.

Cotton spinning and weaving companies have followed this relocation trend with a certain time lag. However, as one industry contact pointed out, this was done mainly to follow their customers rather than because of production costs.

According to the German Industry Association for Yarns, Fabric and Technical Textiles (IVGT) the number of ring spindles in Germany dropped from 600,000 in 1999 to 495,000 in 2003. Over the same period rotor spindles were reduced from 65,000 to 58,000. This trend is expected to continue for the near future and will result in a declining raw cotton consumption in Germany over the next couple of years.

For U.S. exports, this development means that in future more U.S. cotton will enter the German market as finished product (textiles and apparel) from other countries, such as Turkey, than as raw cotton directly from the U.S.

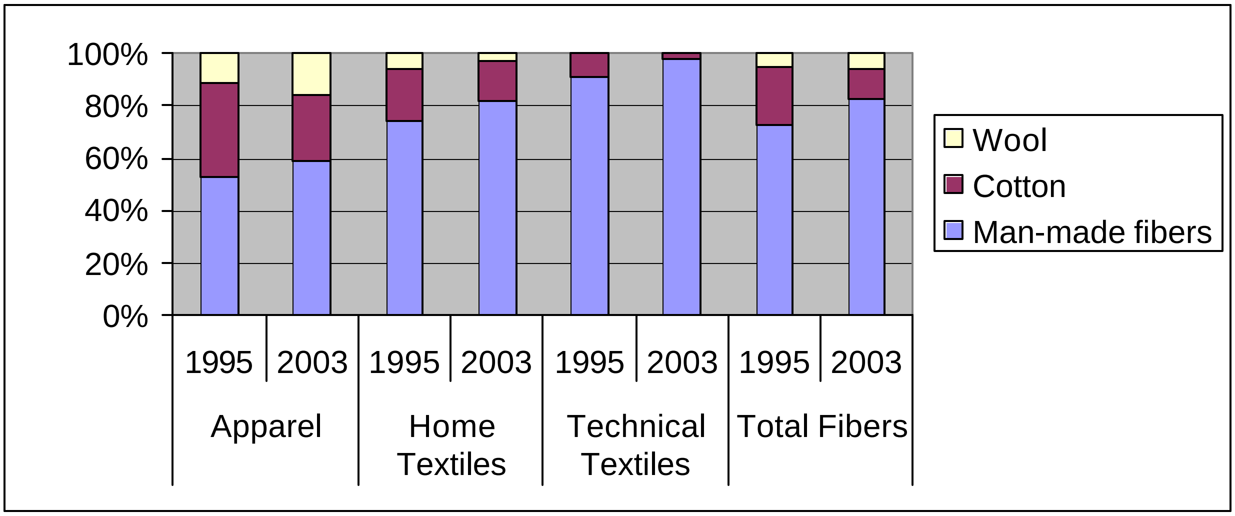
Cotton versus other fibers

The use of cotton versus other fibers in the German textile and apparel industry has decreased other the past years from 22 percent in 1995, to 12 percent in 2003. This is a combination of two effects. For one, the percentage of cotton decreased in all three segments, apparel, home textiles and technical textiles. At the same time, the production of technical textiles, a segment that traditionally uses mostly man-made fibers, increased at the expense of apparel and home textiles.

The use of cotton in apparel declined from 36 percent in 1995, to 25 percent in 2003, while for home textiles the percentage of cotton dropped from 20 percent to 15 percent over the same period. For details please see table.

[1] MT = metric ton
[2] MY = marketing year. The marketing year for cotton runs from August through July.

Figure 1 and Table 1: Percentage of fiber used for different textile segments by year



	Apparel		Home Textiles		Technical Textiles		Total Fibers	
	1995	2003	1995	2003	1995	2003	1995	2003
Man-made fibers	53	59	74	82	91	98	73	85
Cotton	36	25	20	15	9	2	22	12
Wool	11	16	6	3	0	0	5	6

Source: FAS Berlin based on data from Industry Association Man-Made Fiber, Frankfurt

Trade

In Germany, cotton imports mainly follow the consumption trend. In MY 2003/04 German imports of raw cotton totaled 81,854 MT. This is a decrease of about 24,000 MT or 23 percent compared to the previous season.

On a dollar basis, the average import price increased by 29 percent from $ 1,158 per MT in MY 2002/03 to $ 1,492 per MT in MY 2003/04 in line with the world market price. On a Euro basis, average import prices in MY 2003/04 were only 14 higher than in MY 2002/03 (1,242 Euro per MT compared to 1,091). Over the first six month of MY 2004/05 import prices averaged U.S.$ 1,493 or 1,176 Euro per MT.

The top two suppliers of raw cotton to the German market in MY 2003/04 were Chad, and Greece, with 10 percent and 8.3 percent of the market share, respectively. They were followed by Mali, and Sudan, with 8.1 percent market share each and Uzbekistan, with 7.8 percent. The United States ranked number six with 5,760 MT and a market share of 7 percent in MY 2003/04. This compares to 6,004 MT and a market share of 5.7 percent in MY 2002/03. The average import price for U.S. cotton was above average amounting to U.S.$ 1,898 in MY 2003/04 versus U.S. $ 1,840 in MY 2002/03. The high price of U.S. cotton compared to similar quality from other sources posed a big obstacle to increasing U.S. cotton exports to Germany in the past. Over the past year the price gap between the U.S. and other sources was much smaller than in previous years.

The majority of cotton imports entered Germany at the port of Bremen (43 percent) or Hamburg (18 percent) in CY[3] 2004. 8 percent came via the Eastern border and 30 percent through other borders.

Pima

German trade statistics do not distinguish between Pima/ELS[4] and Upland cotton. To get a feel for the share of Pima in general, and U.S. pima specifically, in the German market one has to resort to other data sources. Unfortunately, the most recent comparable data on this issue pertains to MY 2002/03 only. The International Cotton Advisory Committee (ICAC) in Washington, D.C. estimated German Pima/ELS cotton imports in MY 2002/03 at 22,400 MT, about 21 percent of total German imports in that year. For U.S. cotton exports to Germany as shown by the FAS/USDA export sales statistics, the relation is almost reverse: Pima/ELS cotton makes up 70 percent of total U.S. cotton shipments to Germany, upland cotton 30 percent. In MY 2002/03 the U.S. exported 31,600 running bales or 6,880 MT of Pima to Germany. This means that the U.S. contributed about 31 percent to total German Pima imports, as opposed to 5.7 percent for total cotton in that MY. In MY 2003/04 U.S. exports to Germany maintained the ratio of 70 percent Pima and 30 percent Upland-cotton.

Table 2: U.S. Exports of Pima/ELS and Upland Cotton to Germany, in running bales

Running bales	1999/00	2000/01	2001/02	2002/03	2003/04
Pima/ELS	18,600	22,200	17,900	31,600	18,000
Upland Cotton	6,200	1,200	14,600	12,800	7,700
Total	24,800	23,400	32,500	44,400	25,700

Source: USDA/FAS Export Sales (www.fas.usda.gov/export-sales/myrkjuly.htm)

German exports of raw cotton amounted to 15,812 MT in MY 2003/04, about 2,100 MT or 15 percent more than in MY 2002/03. For MY 2004/05 exports are forecast at a level of 19,000 MT. As Germany is not producing cotton, all exports consist of re-exports. In MY 2003/04, 48 percent of the exports were destined to the Czech Republic, 9 percent to Poland, and 8.6 percent to Austria.

Stocks

Falling cotton prices resulted in low ending stocks of 5,000 MT in MY 2003/04. Since then prices moved more or less sideways. There seems to be no clear pictures whether prices will move up or down in the future. As a result industry keeps stocks at a low level. For MY 2004/05 and MY 2005/06 ending stocks are expected at a level of 6,000 MT.

Textiles/apparel

The value of total turnover of the German textile industry (includes yarn and fabric, excludes apparel) amounted to 13.3 billion Euro (U.S. $ 16.6 billion[5]) in CY 2004, a drop of 0.6 percent compared to CY[6] 2003. The turnover of apparels amounted to 9 billion Euro (U.S. $

[3] CY = Calendar year
[4] ELS = extra long staples
[5] Conversion rate (average for CY 2004): U.S.$ 1 = Euro 0.8051
[6] CY = calendar year

11.1 billion), a drop of 2.9 percent. 40 percent of textile turnover and 32 percent of apparel turnover were generated through exports.

40 percent of the domestically produced textiles consist of technical textiles, such as tents, sails, filters, nets, bulk bags, shades; 34 percent consist of home textiles, such as towels, curtains, linen, table cloths, carpets and the like, and the remaining 27 percent are further processed into apparel.

The sluggish domestic demand is mainly a consequence of the slow German economy, and the ongoing public discussion of reductions in the welfare system. Cuts in the public health system as well as in the pension scheme and a change in the unemployment benefits resulted in reduced consumer spending. This means that people make fewer purchases but also that they are extremely price sensitive when they make their buying decision. A recovery for 2005 is not expected by the German textile industry.

Policy

On December 31, 2004 the Agreement on Textiles and Clothing (ATC) expired, and with it the quota system for international trade in textiles and clothing, which restricted for instance Chinese exports to Germany. While the U.S. cotton industry is pressing for a continuation of the quotas for China until the end of 2007, the German cotton and textile industry does not see much benefit in this. They feel that the quotas did not give them much protection in recent years. Also, when China joined the WTO in 2003, it committed itself to the reduction of import tariffs. The German textile industry views this as a chance for exports of high value textiles to China as well as for increased joint ventures in China.

Marketing

Germany with its 82.5 million fairly affluent inhabitants is one of the biggest markets for textiles and apparel in Europe, despite Germany's sluggish economy. As indicated in the consumption section above, domestic production of cotton products, textiles and apparel is declining as companies relocate to Eastern Europe and Asia. While this means that less raw cotton will be used in Germany, it should not result in fewer marketing efforts for U.S. cotton in this market. In the future U.S. cotton will enter the German market more as finished product from other countries rather than as raw cotton for manufacturing in Germany. Consequently, increasing awareness and creating demand for products containing U.S. cotton in Germany can help promote U.S. cotton exports to other countries with a lively textile and apparel industry.

The most important trade show in Germany for textiles is the annual "Heimtextil" show in Frankfurt. Cotton Council International, Cotton Incorporated, and Supima Association of America are represented with an information booth at Heimtextil. The next show will be held January 11 through 14, 2006. For details please consult:

http://heimtextil.messefrankfurt.com/frankfurt/en/home.html

Statistical Section
Table 3: Raw Cotton PSD (in MT)

PSD Table

Country	Germany					
Commodity	Cotton			(HECTARES)(MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		08/2003		08/2004		08/2005	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARE
Area Harvested	0	0	0	0	0	0	(HECTARE
Beginning Stocks	10,233	10,233	11,104	5,000	17,636	6,000	(MT)
Production	0	0	0	0	0	0	(MT)
Imports	82,083	81,854	92,534	85,000	0	80,000	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	92,316	92,087	103,638	90,000	17,636	86,000	(MT)
Exports	15,894	15,812	15,241	19,000	0	20,000	(MT)
USE Dom. Consumption	65,318	71,275	70,761	65,000	0	60,000	(MT)
Loss Dom. Consumption	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumpti	65,318	71,275	70,761	65,000	0	60,000	(MT)
Ending Stocks	11,104	5,000	17,636	6,000	0	6,000	(MT)
TOTAL DISTRIBUTION	92,316	92,087	103,638	90,000	0	86,000	(MT)

Source: FAS/Berlin based on data from the German Federal Office of Statistics, Wiesbaden, and Bremer Baumwollboerse

Table 4: Raw Cotton PSD (in Running Bales 480-lb)

PSD Table

conversion rate 1MT = 4.592963 bales

Country	Germany						
Commodity	Cotton				(HECTARES)(480 lb bales)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		08/2003		08/2004		08/2005	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARE
Area Harvested	0	0	0	0	0	0	(HECTARE
Beginning Stocks	47,000	47,000	51,000	22,965	81,001	27,558	(MT)
Production	0	0	0	0	0	0	(MT)
Imports	377,004	375,952	425,005	390,402	0	367,437	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	424,004	422,952	476,005	413,367	81,001	394,995	(MT)
Exports	73,001	72,624	70,001	87,266	0	91,859	(MT)
USE Dom. Consumption	300,003	327,363	325,003	298,543	0	275,578	(MT)
Loss Dom. Consumption	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumption	300,003	327,363	325,003	298,543	0	275,578	(MT)
Ending Stocks	51,000	22,965	81,001	27,558	0	27,558	(MT)
TOTAL DISTRIBUTION	424,004	422,952	476,005	413,367	0	394,995	(MT)

Source: FAS/Berlin based on data from the German Federal Office of Statistics, Wiesbaden, and Bremer Baumwollboerse

Table 5: German Import Prices for Raw Cotton (in US $ per MT)

Prices Table

Country	Germany		
Commodity	Cotton		
Prices in	U.S. $	per uom	MT
Year	2003	2004	% Change
Jan	1129.93	1566.37	39%
Feb	1283.77	1695.64	32%
Mar	1201.94	1596.76	33%
Apr	1314.68	1632.12	24%
May	1284.76	1591.42	24%
Jun	1281.91	1513.91	18%
Jul	1320.56	1533.39	16%
Aug	1290.48	1478.33	15%
Sep	1266.3	1403.86	11%
Oct	1337.85	1444.27	8%
Nov	1367.38	1663.27	22%
Dec	1530.78	1393.54	-9%

Source: FAS/Berlin based on data from the German Federal Office of Statistics, Wiesbaden

Table 6: German Imports and Exports of Raw Cotton (in MT)

Import Trade Matrix

Country Germany

Commodity Cotton

Time Period	Aug/Jul	Units:	MT	Time Period	Aug/Jan
Imports for:	2002		**2003**		**2004**
U.S.	6,004	U.S.	5,760	U.S.	1,797
Others		Others		Others	
Sudan	15,857	Chad	8,402	Brazil	8,880
Uzbekistan	12,904	Greece	6,817	Mali	6,353
Chad	12,646	Mali	6,627	Israel	3,802
Cameroon	8,122	Sudan	6,620	Chad	2,796
Mali	7,435	Uzbekistan	6,410	Sudan	2,570
Greece	7,283	Israel	4,969	Uzbekistan	2,500
Israel	5,971	Cameroon	4,705	Tajikistan	2,372
Kazakhstan	4,625	Turkey	4,324	Kazakhstan	2,127
Turkey	3,804	Tajikistan	3,941	Greece	2,078
Syria	3,524	Kazakhstan	3,745	Egypt	1,117
Total for Others	82,171		56,560		34,595
Others not Listed	17,494		16,534		7,152
Grand Total	105,669		78,854		43,544

Export Trade Matrix

Country Germany

Commodity Cotton

Time Period	Aug/Jul	Units:	MT	Time Period	Aug/Jan
Exports for:	2002		**2003**		**2004**
U.S.	0	U.S.	2	U.S.	0
Others		Others		Others	
Czech Republic	3,964	Czech Republic	7,584	Czech Republic	4,201
Austria	3,248	Poland	1,438	Austria	1,257
Netherlands	1,204	Austria	1,362	Spain	1,210
Poland	1,010	Italy	1,270	Italy	675
Italy	544	South Korea	582	Poland	469
Croatia	462	Switzerland	516	Croatia	248
Bangladesh	448	Slovenia	465	Bangladesh	219
Switzerland	442	Bangladesh	421	Slovenia	201
France	372	Romania	316	France	195
Slovenia	330	Pakistan	239	Romania	170
Total for Others	12,024		14,193		8,845
Others not Listed	1,690		1,617		736
Grand Total	13,714		15,812		9,581

Please note:
MY 2002 = August 2002 through July 2003, MY 2003 = August 2003 through July 2004
MY 2004 = August 2004 through January 2005 (6 month)

Table 7: German Imports and Exports of Cotton Yarns (HS-Codes 5204, 5205, 5207 in MT)

Import Trade Matrix

Country Germany

Commodity Cotton Yarn

Time Period	Jan/Dec	Units:	MT
Imports for:	2003		**2004**
U.S.	1	U.S.	3
Others		Others	
Spain	11,865	Spain	9,284
Czech Republic	11,459	Czech Repub	7,133
Italy	8,308	Italy	6,342
Greece	7,345	India	6,055
India	6,713	Greece	5,550
Turkey	5,028	Austria	4,434
Austria	4,414	Turkey	4,410
Switzerland	3,818	Switzerland	4,178
Indonesia	3,169	Indonesia	2,982
Uzbekistan	2,523	Uzbekistan	2,639
Total for Others	64,642		53,007
Others not Listed	17,140		17,251
Grand Total	81,783		70,261

Export Trade Matrix

Country Germany

Commodity Cotton Yarn

Time Period	Jan/Dec	Units:	MT
Exports for:	2003		**2004**
U.S.	255	U.S.	223
Others		Others	
France	6,393	France	6,882
Austria	5,342	Austria	4,915
Italy	5,322	Czech Republic	4,464
Czech Republic	4,276	Spain	3,612
Spain	4,155	Italy	3,437
Portugal	3,816	Portugal	2,852
United Kingdom	3,023	United Kingdom	2,475
Netherlands	2,155	Belgium	2,367
Belgium	2,050	Poland	2,121
Slovakia	1,665	Netherlands	1,741
Total for Others	38,197		34,866
Others not Listed	8,667		9,601
Grand Total	47,119		44,690

Table 8: German Imports and Exports of Cotton Fabric (HS-Codes 5208,5209 in MT)

Import Trade Matrix

Country Germany

Commodity Cotton Fabric

Time Period	Jan/Dec	Units:	MT
Imports for:	2003		**2004**
U.S.	162	U.S.	193
Others		Others	
Italy	11,890	Italy	10,346
Pakistan	7,582	Pakistan	9,259
France	6,427	India	6,220
Czech Republic	5,708	France	4,492
India	5,109	Czech Repub	3,967
Russia	4,065	Thailand	3,943
Austria	3,921	Netherlands	3,509
Thailand	3,676	Austria	3,429
Netherlands	3,501	Turkey	3,376
Pr china	3,462	Russia	3,308
Total for Others	55,341		51,849
Others not Listed	24,007		24,697
Grand Total	79,510		76,739

Export Trade Matrix

Country Germany

Commodity Cotton Fabric

Time Period	Jan/Dec	Units:	MT
Exports for:	2003		**2004**
U.S.	895	U.S.	853
Others		Others	
Poland	12,665	Poland	11,988
France	10,272	Italy	8,523
Italy	8,928	France	7,330
Romania	7,120	Romania	6,871
Netherlands	5,967	Netherlands	4,529
Czech Republic	4,575	Czech Republic	3,614
Tunisia	3,128	Tunisia	3,195
Austria	3,054	Austria	2,953
Slovakia	2,360	Slovakia	2,356
Macedonia	1,725	Macedonia	1,962
Total for Others	59,794		53,321
Others not Listed	21,153		21,125
Grand Total	81,842		75,299

Source: FAS/Berlin based on data from German Federal Office of Statistics, Wiesbaden