



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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## Cotton Prices Expected to Decline in 2009/10

Based on a price forecast of 60 cents per pound for 2008/09 and an expectation of rising stocks in 2009/10, the ICAC Price Model 2007 forecasts a season-average Cotlook A Index of 54 cents per pound in 2009/10 (the 95% confidence interval is between 41 and 58 cents per pound). However, major uncertainties regarding projected cotton trade in 2009/10 pose substantial risks to this forecast.

World cotton trade is expected to partially recover in 2009/10, to 6.5 million tons (+8%). Chinese imports are projected to rise only slightly to 1.45 million tons. Beginning at the end of May 2009, the government of China (Mainland) started selling cotton from the national reserve to domestic textile mills. The quantities sold will affect 2009/10 Chinese imports. India is expected to account for most of the expected rise in world exports, with shipments forecast to almost triple to 1.1 million tons. However, US exports are expected to decline by 11% in 2009/10 to 2.3 million tons.

In 2009/10, world cotton production is expected to decline for the third consecutive season to 23.4 million tons (-1%). Production is expected to decline in China (Mainland), Brazil, Uzbekistan, the CFA zone and Turkey. However, production is forecast to increase significantly in India and slightly in the United States.

World cotton mill use is expected to increase by 2% to 23.3 million tons in 2009/10. This projection is based on a modest recovery in world economic growth in 2010. Cotton mill use is expected to increase in China (Mainland), India, Pakistan, Bangladesh, Indonesia and Vietnam, but to continue to decline in the United States and many smaller consuming countries in Asia, North America and Europe.

### WORLD COTTON SUPPLY AND DISTRIBUTION

	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
	Million Tons			Million Bales		
<b>Production</b>	26.21	23.6	23.4	120.4	108	108
<b>Consumption</b>	26.32	22.9	23.3	120.9	105	107
<b>Exports</b>	8.37	6.0	6.5	38.4	28	30
<b>Ending Stocks</b>	12.38	13.1	13.2	56.9	60	61
<b>Cotlook A Index*</b>	72.90	60**	54***	72.90	60**	54***

\* Season-average Cotlook A Index (U.S. cents per pound).

\*\* The price projection for 2008/09 is based on the ending stocks/consumption ratio in the world-less-China (Mainland) in 2006/07, in 2007/08 (estimate), and in 2008/09 (projection), on the ratio of Chinese net imports to world imports in 2007/08 (estimate) and 2008/09 (projection), and on the average price for the first ten months of 2008/09. 95% confidence interval: 58 to 62 cents per pound.

\*\*\* The price projection for 2009/10 is based on the ending stocks/consumption ratio in the world-less-China (Mainland) in 2007/08 (estimate), in 2008/09 (projection), and in 2009/10 (projection), and on the ratio of Chinese net imports to world imports in 2008/09 (projection) and 2009/10 (projection). 95% confidence interval: 41 to 58 cents per pound.

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The International Cotton Advisory Committee is an association of governments of cotton producing and consuming countries. The Secretariat of the Committee publishes information related to world cotton production, supply, demand and prices, and provides technical information on cotton production technology. Detailed statistics are found bimonthly in COTTON: Review of the World Situation, \$185 per year. A monthly outlook is available on the Internet for \$295 per year. Access to the weekly estimates of world cotton supply and use by the Secretariat is also available on the Internet for \$460 per year.