



From the Secretariat

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Tight Cotton Supplies

Offers for cotton from the 2009/10 cotton crop shrunk during June 2010, resulting in the halt of the publication of the 2009/10 Cotlook A Index since June 22. The Cotlook A Index averaged 78 cents per pound in 2009/10, 28% higher than in 2008/09 and the highest since 1996/97. The 2010/11 Cotlook A Index ("Forward Cotlook A Index"), which was introduced on May 16, 2010, is now the only Cotlook A Index published.

As a result of a continued decline in world production and a concurrent rebound in global mill use, 2009/10 global cotton ending stocks are projected at 9.6 million tons, down by 21% from the previous season and the smallest level of stocks since 2003/04. The global stocks-to-use ratio is also falling, from 52% in 2008/09 to 39% in 2009/10, the lowest ratio since 1993/94.

Supplies of cotton will remain tight until the start of the harvest of the new crop in the northern hemisphere in August. World cotton production is expected to rebound by 14% in 2010/11, to 25 million tons. The forecast larger crop is explained mainly by an expansion in cotton plantings as farmers are reacting to the rise in cotton prices during 2009/10 and the declining prices of grains and oilseeds. World cotton mill use is projected to continue to recover in 2010/11, growing by 2% to 24.9 million tons, pushed by continued improvement in global economic growth but limited by high cotton prices and a slowing "restocking effect". As global cotton production and mill use are forecast to almost balance in 2010/11, world ending stocks are expected to remain essentially unchanged at 9.6 million tons. The global stocks-to-use ratio is forecast to remain at 39% in 2010/11.

The ICAC Price Model forecasts a 2010/11 season-average Cotlook A Index of 87 cents per pound. The 95% confidence interval extends from 73 to 103 cents per pound. This forecast implies a 12% increase with respect to the 2009/10 forecast. However, caution must be exercised since all commodity markets are subject to great uncertainty.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
	Million Tons			Million Bales		
Production	23.36	22.0	25.0	107.3	101	115
Consumption	23.46	24.5	24.9	107.7	112	114
Exports	6.62	7.8	7.9	30.4	36	36
Ending Stocks	12.08	9.6	9.6	55.5	44	44
Cotlook A Index*	61.20	78**	87***	61.20	78**	87***

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

** Average between August 1, 2009 and June 22, 2010. The 2009/10 Cotlook A Index was not published after June 22, 2010.

*** The price projection for 2010/11 is based on the ending stocks/consumption ratio in the world-less-China in 2008/09 (estimate), in 2009/10 (estimate) and in 2010/11 (projection), and on the ratio of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection). 95% confidence interval: 73 to 103 cents per pound.

(Press releases are available via e-mail. For further information, please contact us at Publications@icac.org)

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.