



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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World Cotton Prices Surge to the Highest Since May 1995

International cotton prices have increased almost continuously since April 2009. The rise in prices has been particularly steep since August 2010. The Cotlook A Index reached 115.60 U.S. cents per pound on September 29, 2010, 80% higher than at the same date last year and the highest value reached since May 23, 1995.

The recent firm increase in cotton prices is mainly the result of strong market fundamentals rather than speculation. World cotton stocks fell by 24% to 9.0 million tons in 2009/10. This marked the end of a five-year period of high stocks. World cotton production is expected to rebound by 16% to 25 million tons in 2010/11, encouraged by the significant rise in prices experienced last season. Global cotton mill use should continue to recover, however more slowly than in 2009/10 due to limited available supplies and high prices of the fiber. As production and consumption are forecast to roughly balance in 2010/11, world ending stocks are not expected to increase significantly. These perspectives, added to concerns about the damage caused to Pakistan's 2010/11 cotton crop by the August floods, expected harvest delays in China and India, and concerns about restrictions in shipments by a major exporting country, have supported cotton prices in the first two months of 2010/11.

The ICAC Price Model forecasts a 2010/11 season-average Cotlook A Index of 90 cents per pound, 15% higher than last season and the highest since 1994/95. The 95% confidence interval extends from 78 to 106 cents per pound. This forecast suggests that cotton prices could decline from the current highs later in the season. However, external factors such as the uncertain global economic outlook, possible government measures affecting global cotton trade, and price competition with other fibers could affect the degree of increase in prices in 2010/11.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
	Million Tons			Million Bales		
Production	23.34	21.8	25.2	107.2	100	116
Consumption	23.50	24.6	25.1	108.0	113	115
Exports	6.62	7.8	8.4	30.4	36	38
Ending Stocks	11.89	9.0	9.1	54.5	41	42
Cotlook A Index*	61.20	77.54	90**	61.20	77.54	90**

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

** 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: 78 to 106 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.