



INTERNATIONAL COTTON ADVISORY COMMITTEE
1629 K Street NW, Suite 702, Washington, DC 20006 USA
Telephone (202) 463-6660 • Fax (202) 463-6950 • email secretariat@icac.org



From the Secretariat

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Demand and Tight Stocks Driving Prices Higher

World cotton production and consumption are forecast to roughly balance at 25.1 million tons in 2010/11, as a result of a 15% rebound in production and a 2% increase in mill use. World ending stocks are expected to remain at 9.1 million tons, while the ratio of ending stocks to mill use could decrease from 37% to 36%, the lowest since 1989/90. The tightening of stocks available for mill use has pushed cotton prices higher.

The United States is driving the forecast rebound in global production in 2010/11, with an expected crop of 4.0 million tons, 52% larger than last season. China and India are expected to account for most of the increase in global cotton mill use in 2010/11.

Imports are expected to continue to recover in 2010/11, growing by 9% to 8.5 million tons. This increase will be driven by Chinese imports, forecast 29% larger at 3.1 million tons. U.S. exports are projected up by 27% to 3.3 million tons in 2010/11, fueled by the expected larger crop, and the U.S. share of global exports could rebound from 34% to 39%.

The ICAC Price Model forecasts a 2010/11 season-average Cotlook A Index of 89 cents per pound. The 95% confidence interval extends from 76 to 106 cents per pound. This forecast implies a 15% increase with respect to the 2009/10 season-average Cotlook A Index. However, caution must be exercised since all commodity markets are subject to great uncertainty.

Beginning stocks will account for only 27% of world supply in 2010/11, down from 35% in the previous season. The decline in stocks as a percent of supply suggests that cotton prices in 2010/11 will remain unusually susceptible to changes in crop prospects.

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	25.1	107.2	100	115
Consumption	23.50	24.6	25.1	108.0	113	115
Exports	6.62	7.7	8.5	30.4	35	39
Ending Stocks	11.89	9.1	9.1	54.6	42	42
Cotlook A Index*	61.20	77.54	89**	61.20	77.54	89**

* 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: 76 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.