



# 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](mailto:secretariat@icac.org)



From the Secretariat

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## Cotton Prices to Remain Strong in 2011/12

Global cotton production is expected to rise by 12% to a record of 27.4 million tons in 2011/12, driven by an expansion in plantings in most producing countries. However, the projected increase in production is relatively small considering the doubling of prices experienced in 2010/11. Competition from food crops and limited resources (including land, seeds, water, and equipment) are preventing cotton area from rising further in 2011/12. Rising cotton supplies will feed demand in 2011/12, but high prices and competition from chemical fibers are expected to limit growth in mill use to 3%.

World cotton production is projected to exceed mill use in 2011/12 by 1.8 million tons. As a result, ending stocks are projected to increase to 10.1 million tons. The world ending stocks-to-use ratio is projected to rebound from 33% in 2010/11 to 40% in 2011/12, still well below the ten-year average of 50%.

The ICAC Price Model forecasts a 2011/12 season-average Cotlook A Index of \$1.38/lb. The 95% confidence interval extends from \$1.19 to \$1.59 per pound. This forecast implies a 15% decline with respect to the 2010/11 expected average of \$1.62/lb, but would remain considerably higher than the ten-year average of 60 cents per pound prevailing from 2000/01 to 2009/10. However, caution must be exercised since all commodity markets are subject to great uncertainty. As with any model, the ICAC Price Model is based on a limited number of explanatory variables. Furthermore, the explanatory variables are themselves preliminary estimates or projections obtained under imperfect information.

### WORLD COTTON SUPPLY AND DISTRIBUTION

	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	Million Tons			Million Bales		
<b>Production</b>	21.9	24.5	27.4	100	112	126
<b>Consumption</b>	24.9	24.8	25.6	114	114	117
<b>Exports</b>	7.8	8.3	8.5	36	38	39
<b>Ending Stocks</b>	8.7	8.3	10.1	40	38	47
<b>Cotlook A Index*</b>	0.78	1.62**	1.38***	0.78	1.62**	1.38***

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

\*\* The price projection for 2010/11 is not based on the ICAC price model.

\*\*\* The price projection for 2011/12 is based on two ending stocks/consumption ratios, one in the world-less-China and the other in China, in 2009/10 (estimates), in 2010/11 (projections) and in 2011/12 (projections).

95% confidence interval: \$1.19 to \$1.59 per pound.

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