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From the Secretariat

ICAC Press Release, February 1, 2011

PRICES CONTINUE RISING TO RECORD LEVELS

World cotton prices continued rising during the first month of 2011, reaching records and nearing the two-dollar-per-pound territory. Between December 31, 2010 and January 28, 2011 the Cotlook A Index rose by 25.5 cents per pound (up 15%) and reached 197.5 cents per pound. During the first half of 2010/11, the Cotlook A Index gained almost 130%, adding 111 cents per pound. The season average Cotlook A Index reached close to 140 cents per pound, 80% higher than the 2009/10 average of 77.5 cents per pound. The New York futures contract for March 2011 delivery rose from 77 cents per pound on August 2, 2010 to a record of 169 cents per pound on January 27, 2011. During the same period, the futures contract for October 2011 delivery (2011/12 crop) rose from 75 cents per pound to 127 cents per pound, indicating the possibility of lower prices in 2011/12.

Very low world stocks of cotton; limited supply, robust demand and a depreciation of U.S dollar may have caused the surge in prices during 2010/11. World cotton production is projected to rise by 15% during 2010/11 to 25 million tons, and will be almost equal to projected mill use. World cotton mill use started to recover in 2009/10 due to the improved global economic environment. However, very high cotton prices and shortages of supply are expected to limit mill use expansion during 2010/11 close to 25 million tons, almost unchanged from 2009/10. No growth in mill use is projected for major consuming countries, except for India, where mill use may grow by 8% to 4.6 million tons.

The Secretariat acknowledges that in the current environment of volatility, the ICAC price model may be less relevant than in other seasons. The Secretariat season-average projection for the 2010/11 Cotlook A Index is 156 cents per pound. The projection is not based on the ICAC price model, but on the average price for the first six months of the season and our judgment that during the rest of the season prices would remain close to the average recorded during the most recent month (January 2011).

WORLD COTTON SUPPLY AND DISTRIBUTION

	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	Million Tons			Million Bales		
Production	21.8	25.1	27.4	100	115	126
Consumption	24.6	24.7	25.4	113	114	117
Exports	7.8	8.3	8.4	36	38	39
Ending Stocks	8.9	9.2	11.2	41	42	52
Cotlook A Index*	77.54	156**		77.54	156**	

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

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

The projection is based on the average price for the first six months of 2010/11 and our judgment that during the rest of 2010/11 prices would remain close to the average recorded during the most recent month (January 2011).

(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.