



INTERNATIONAL COTTON ADVISORY COMMITTEE
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From the Secretariat

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RECORD PRODUCTION IN 2011/12 AS A RESPONSE TO RECORD PRICES

World cotton area is projected to rise by 7% in 2011/12 to 36 million hectares, the largest in 17 years, in response to record prices in 2010/11. Farmers are expected to expand cotton area in 2011/12 in all producing countries. World cotton production is projected to increase by 9% to a record exceeding 27 million tons.

Rising cotton supplies will feed rising demand in 2011/12. However, although prices are expected to decline from current record levels, it is likely that prices will stay substantially higher than the average of 60 cents per pound that prevailed during the past decade. Higher prices, and competition from chemical fibers, are expected to limit growth in mill use during 2011/12 to 3% to 25.4 million tons. The largest increases in mill use are projected for India, China, Pakistan and Turkey.

World cotton prices reached new records during February 2011. A limited supply, robust demand and depreciation of U.S dollar may have caused the surge in prices. The very scarce uncommitted supply as of 2011 may provide strong pressure on prices and cause increased volatility through the rest of the season. The Cotlook A Index reached a record of 233.5 cents per pound on February 18, 2011 and averaged 147 cents per pound during the first seven months of 2010/11 (77.5 cents per pound during 2009/10). The New York futures contract for March 2011 delivery rose from 77 cents per pound on August 2, 2010 to a record of 205 cents per pound on February 28, 2011.

In the current environment of volatility, the ICAC price model is less relevant than in other seasons. The Secretariat season-average projection for the 2010/11 Cotlook A Index is 161 cents per pound. The projection is not based on the ICAC price model, but on the average price for the first seven months of the season and our judgment that during the rest of the season prices will remain close to the average recorded during the beginning of 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	24.9	27.6	100	114	127
Consumption	24.6	24.7	25.4	113	114	117
Exports	7.8	8.4	8.6	36	38	39
Ending Stocks	8.9	9.1	11.2	41	42	52
Cotlook A Index*	77.54	161**		77.54	161**	

* 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 seven months of 2010/11 and our judgment that during the rest of 2010/11 prices would remain close to the average recorded during the beginning of 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.