



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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## Cotton Prices Retreat due to Slowing Demand

After seven consecutive months of increase, cotton prices fell in April 2011. The Cotlook A Index reached a record of \$2.44 on March 8, 2011, but was down to \$1.73 per pound on April 28. These prices remain very high by historical standards.

The main reason explaining the recent drop of cotton prices seems to be a significant slowing in demand. Very high cotton prices, problems of credit access, and the fact that cotton yarn prices did not increase as fast as cotton prices and started yielding ground in mid-March 2011, are all affecting mill use. Global cotton use is expected to reach 25.1 million tons in 2010/11, almost unchanged from 2009/10. A slowing of spinning operations and an increased switch to chemical fibers are curtailing demand for cotton and are reducing its share of world fiber use.

Production is expected to increase by 11% to a record of 27.6 million tons in 2011/12. Increased 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, which would result in ending stocks recovering to 10.1 million tons. The world ending stocks-to-use ratio, forecast to reach an all-time low of 33% this season, could rebound to 39% in 2011/12. This would remain lower than the 10-year average of 49% prevailing before 2009/10.

The Cotlook A Index is expected to average around \$1.65 per pound in 2010/11. The Secretariat believes that the season-average Cotlook A Index will decline significantly in 2011/12, although it will probably remain above the ten-year average of \$0.60 per pound (2000/01 to 2009/10).

### WORLD COTTON SUPPLY AND DISTRIBUTION

	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	Million Tons			Million Bales		
<b>Production</b>	22.0	24.8	27.6	101	114	127
<b>Consumption</b>	25.0	25.1	25.8	115	115	119
<b>Exports</b>	7.8	8.3	8.4	36	38	39
<b>Ending Stocks</b>	8.6	8.4	10.1	40	39	46
<b>Cotlook A Index*</b>	0.78	1.65**		0.78	1.65**	

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

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

(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.