



**From the Secretariat**

**For Release September 7, 2011**

The Secretariat of the ICAC presented a report on the impacts of price volatility during the 70<sup>th</sup> Plenary Meeting of the Committee in Buenos Aires, Argentina. The report indicates that world cotton production is expected to continue to rise in 2011/12 for the second consecutive season to 26.9 million tons (+8%). Cotton plantings expanded this season as a result of high cotton prices paid to farmers in 2010/11. After a drop in 2010/11 caused by extremely high cotton prices, world cotton mill use is projected to resume slow growth in 2011/12 to 24.7 million tons (+1.5%). Cotton mill use will be facilitated by increased availability of raw material, but the possibility of a double-dip global economic recession could reduce these expectations. Global cotton imports are projected to rebound to 8.1 million tons in 2011/12, fueled by larger crops, higher consumption, and the rebuilding of the Chinese government reserve. As a result of the expected surplus of 2.2 million tons, global world ending stocks could rebound by 24% to 11.2 million tons in 2011/12. The projected rebound in the stocks-to-mill use ratio outside China may result in a decline in the season-average Cotlook A Index in 2011/12. However, it is likely that the season-average A Index will remain above the 10-year average of 60 cents/lb (2000/01 to 2009/10). Cotton price volatility could decline in 2011/12 due to the expected recovery in global cotton stocks, but volatility might still exceed historical averages.

The report summarized strategies and tools governments and the private sector can utilize in managing price risks linked to volatility. Governments have an important role in addressing price risks by assuring transparency in statistics on cotton supply, use and trade; by providing stable policy environments; by working to conclude the Doha Round, thereby strengthening trade rules; and by enabling access to hedging mechanisms for the private sector. All traders have the opportunity to manage price risk, but management requires disciplined analyses and appropriate strategy selection. Risk management is one of the ways to deal with high price volatility and could involve the use of both physical contracts and financial instruments. Hedging is not a guarantee of profits, but is a way to limit risk caused by price volatility.

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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 via email, \$230 per year in hard copy. A monthly outlook is available by email for \$295 per year. Access to the latest weekly estimates of world cotton supply and use by the Secretariat is available on the Internet for \$460 per year. Access Secretariat reports at [www.icac.org](http://www.icac.org).