



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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PRESS RELEASE

Demand and Tight Stocks Driving Prices Higher

After declining for three consecutive years, world cotton production is expected to rebound by 16% to 25 million tons in 2010/11, encouraged by the significant rise in prices experienced last season. Global cotton mill use should also continue to recover, but more slowly than in 2009/10 due to limited available supplies and high prices, to 25 million tons. As production and consumption are forecast to roughly balance in 2010/11, world ending stocks are expected to remain stable at 9 million tons.

The United States is driving the rebound in global production in 2010/11, with an expected crop of 4.1 million tons, 55% larger than last season. India is expected to account for most of the increase in global cotton mill use in 2010/11: a record crop and limited exports could boost cotton consumption by 8% to 4.6 million tons. Mill use in China is expected to increase only slightly to 10.0 million tons.

World cotton imports are expected to continue to recover in 2010/11, growing by 8% to 8.4 million tons. These would be the largest imports in three years. This increase will be driven by Chinese imports, forecast 28% larger at 3.0 million tons. U.S. exports are projected up by 33% to a five-year high of 3.5 million tons in 2010/11, fueled by the expected larger crop and restrictions in shipments from India, its largest competitor on the export market. The share of the United States in global exports is projected to rebound from 34% in 2009/10 to 42% in 2010/11, while that of India could decline from 18% to 13%.

The season-average Cotlook A Index is expected to continue to increase by 14% to 89 cents per pound in 2010/11. This would be the highest season-average since 1994/95. The current increase in cotton prices seems to be driven mostly by market fundamentals, rather than speculation. However, external factors such as the uncertain global economic outlook, possible government measures affecting global cotton trade, and price competition with other fibers could affect the degree of increase in prices in 2010/11.

Preliminary forecasts for 2011/12 suggest a continued increase in world cotton area and production, which combined with a small rise in consumption, could result in a tangible increase in global cotton stocks and a decline in international cotton prices.