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From the Secretariat

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THE CHINA NATIONAL RESERVE IS ABSORBING A LARGE PORTION OF THE 2011/12 GLOBAL COTTON CROP

Global cotton production is forecast 8% higher in 2011/12, compared with 2010/11, at 26.8 million tons, whereas consumption could decline by 2% to 23.9 million tons. As a result of the projected surplus of 2.9 million tons, global cotton stocks could rebound to 11.9 million tons by the end of 2011/12. This recovery follows two seasons of relatively tight global stocks.

Almost 40% of the gain in global stocks this season could take place in China, due to the rebuilding of the national reserve. Between October 8 and December 30, 2011, a total of 2.1 million tons of domestic cotton were purchased for the China national reserve. Daily purchases are continuing. There is no limit to the amount of domestic cotton to be purchased by the national reserve this season. In addition, it is reported that about one million tons of non-Chinese cotton has been bought for the reserve; this cotton will be shipped to China over the next few months. Overall, the national reserve, which was almost exhausted by the end of 2010/11, could grow by at least 3 million tons or 11% of 2011/12 global production. It is possible that some of the reserve cotton will be sold later in the season. Outside of China, cotton stocks are expected to grow by 26% to 8.7 million tons in 2011/12, the largest in four years.

The lack of demand for cotton and ample supplies are placing downward pressure on prices. The Cotlook A Index dropped from 114 cents/lb in early August 2011 to 93 cents/lb in late December 2011. The average Cotlook A Index for the first 5 months of 2011/12 is 109 cents/lb or a third lower than the 2010/11 full-season average.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	Million Tons			Changes from November Million Tons		
Production	24.872	26.788	24.91	-0.007	-0.091	-0.232
Consumption	24.459	23.866	24.69	-0.037	-0.521	0.202
Exports	7.625	7.624	8.48	0.001	-0.101	-0.327
Ending Stocks	9.010	11.931	12.15	0.004	0.434	0.077
Cotlook A Index*	1.64	1.09**				

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

** Average for the first five months of the season (August to December 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.