



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Cotton's Version of The Dog That Didn't Bark

As in a Sherlock Holmes novel where the telling clue is the dog that didn't bark, the significant features of the cotton industry at the start of 2013 are those that are not happening.

In most seasons, the range between the highest and lowest quotes for the Cotlook A Index is 34% of the average. However, during the first five months of 2012/13, the spread between the highest and lowest quotes for the A Index has been only 9% of the average of 83 cents per pound.

During the current season, the ratio of world ending stocks to use is rising to an estimated 0.70, the highest since the end of World War II. Accordingly, prices might be expected to be record low. However, the Cotlook A Index has averaged 83 cents per pound so far this season, well above the long-term average of 69 cents.

World production is dropping by 1.5 million tons to 26 million tons and consumption is rising by 760,000 tons to 23.5 million this season, but production remains 10% above consumption.

Purchases of approximately 9 million metric tons of cotton for the state reserve by the Government of China over the last two seasons explain why prices are not more volatile, why prices are not falling further, and why production is not declining enough to reduce world ending stocks. Chinese purchases of cotton for the state reserve began in 2011/12 and will continue through March of 2013. More than 10 million tons could be in the reserve by that time. With 25% of 2012/13 global cotton supplies being held away from commercial channels, prices have not dropped further, but buyers, knowing that the reserve exists and could be liquidated, are reluctant to pay more. World production is higher than it would be in the absence of the price-support activity. Thus, the main source of uncertainty in the cotton market today is the future of Chinese policy toward the reserve, including how reserve cotton will be handled.

The ICAC Secretariat sends their best wishes to all in the cotton and other natural fiber industries for the New Year.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
	Million Tons			Changes from last Month Million Tons		
Production	27.439	25.979	23.07	0.155	-0.100	-0.12
Consumption	22.783	23.539	24.25	-0.013	0.041	0.04
Imports	9.708	7.983	8.01	-0.006	0.287	0.22
Exports	9.934	7.983	8.01	0.179	0.232	0.22
Ending Stocks	14.044	16.484	15.31	0.003	-0.138	-0.30
Cotlook A Index*	1.00	0.83**				

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

** Average for the first five months of 2012/13.

(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.