



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

ICAC Press Release, February 1, 2013

Maybe the Dog Will Bark... Higher Cotton Prices?

The Secretariat noted last month, that just as in a Sherlock Holmes novel where the telling clue is the dog that did not bark, the key to understanding the cotton market was in recognizing what was not happening. Among other things, cotton prices during the first five months of 2012/13 did not exhibit the usual level of volatility. However, cotton prices rose in mid-January. The Cotlook A Index fluctuated around an average of 83 cents per pound from early June 2012 to early January 2013. It then increased quickly, from 83.10 cents per pound on January 10, 2013 to 90.35 cents per pound on January 31, 2013, the highest price for the current season

In 2012/13, global cotton production is estimated down by 5%, while cotton mill use is expected to rise by 2%. However, production at 25.9 million ton remains much larger than consumption at 23.3 million tons. As a result, global stocks at the end of July 2013 are forecast at a record 16.7 million tons, up 19% from the previous year. China is holding a large percentage of world stocks in a national reserve, while “free” global ending stocks are forecast at only 9.7 million tons.

At this time, 2012/13 plantings in the Southern Hemisphere are finished for the most part. Farmers have reduced cotton area in order to switch to profitable competing crops, and cotton production is estimated down by about one-fifth in both Brazil and Australia. In the Northern Hemisphere, cotton area and production during 2013/14 are expected to decrease by 8% to 28.4 million hectares and 11% to 20.5 million tons for the same reason.

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	27.444	25.949	23.20	0.006	-0.030	0.13
Consumption	22.783	23.287	24.02	0.000	-0.252	-0.23
Imports	9.708	8.298	7.87	-0.006	0.602	-0.14
Exports	9.934	8.298	7.87	0.000	0.316	-0.14
Ending Stocks	14.053	16.715	15.90	0.009	0.231	0.59
Cotlook A Index*	1.00	0.87**				

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

** The price projection for 2012/13 is based on the ending stocks/mill use ratio in the world-less-China in 2010/11 (estimate), in 2011/12 (estimate) and in 2012/13 (projection), on the ratio of Chinese net imports to world imports in 2011/12 (estimate) and 2012/13 (projection), and on the average price for the first six months of 2012/13.

95% confidence interval: 76 to 102 cents per pound.

(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.