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From the Secretariat

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Global Stocks and Chinese Government Policies Influencing Cotton Prices

In 2011/12, the considerable increase in global cotton stocks combined with declining mill use triggered a significant decline in international cotton prices. The Cotlook A Index averaged \$1.00 per pound in 2011/12, down by 39% from its record of the previous season. Exceptionally high cotton imports by China (5.2 million tons) triggered by domestic policies were the main factor preventing a more pronounced fall in international prices. Most of the considerable gain in global cotton stocks in 2011/12 took place in China: its stocks almost tripled to 6 million tons while in the rest of the world they increased by only 5% to 7.6 million tons.

Following the plunge in cotton prices in 2011/12, world cotton production is forecast down by 9% to 24.7 million tons in 2012/13. Global cotton mill use is projected to increase only slightly to 23.2 million tons, as the rate of global economic growth is expected to remain slow and because the high domestic cotton support price in China is encouraging mills there to shift toward alternative fibers.

In 2012/13, the resulting excess supply of 1.6 million tons will cause global stocks to rise by 11% to 15.2 million tons. In contrast with 2011/12, stocks could accumulate at a faster rate outside of China. However, the Chinese government announced a slightly higher minimum support price for 2012/13 and is expected to buy a large portion of the new cotton crop. This suggests that the size of the Chinese national cotton reserve may continue to increase, even if the government rotates some of its old stocks during the season.

Assuming much lower imports by China in 2012/13 (2.6 million tons), global cotton trade is expected to fall by 20% to 7.5 million tons in 2012/13. However, imports by countries other than China could grow, driven by lower cotton prices and a slightly higher level of consumption.

The projected accumulation of cotton stocks will weigh on international cotton prices in 2012/13, but the extent of this downward pressure will depend in large part on how the Chinese national reserve is handled and on the timing and amount of additional import quotas.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	Million Tons			Changes from last Month Million Tons		
Production	25.103	27.089	24.74	0.000	-0.072	-0.13
Consumption	24.517	22.726	23.17	0.027	-0.017	-0.36
Imports	7.725	9.333	7.50	0.028	0.969	-0.84
Exports	7.624	9.342	7.50	0.000	0.173	-0.06
Ending Stocks	9.274	13.628	15.19	-0.033	-0.165	0.07
Cotlook A Index*	1.64	1.00				

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