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From the Secretariat

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Government Policies Affect Global Cotton Trade and Prices in 2011/12

This season, global cotton trade and prices are affected to a large extent by government policies in China and to a lesser extent by policies in India.

On the one hand, China accumulated over 3 million tons of domestic cotton and at least one million tons of foreign cotton in its national reserve during the first eight months of 2011/12. This accumulation boosted imports by China, which are now forecast at 4.2 million tons or up by 61% from 2010/11. While the purchases supported both domestic and international prices so far, sales from the reserve could reduce Chinese imports and depress world cotton prices in the future.

On the other hand, the Indian government imposed a sudden ban on new exports starting on March 5, 2012. The impact of India's export ban on international cotton prices was limited in March, with the Cotlook A Index remaining around \$1.00 per pound. However, the longer the ban remains in place, the greater its upward impact on world cotton prices could be.

Global cotton trade is expected to rise by 9% to 8.4 million tons in 2011/12, driven by near record imports from China. With global production exceeding global consumption in 2011/12, global stocks are expected to rebound by 41% to 13.1 million tons in 2011/12. However, two thirds of the increase in global stocks is taking place in China, as a result of their stockpiling policy. If we subtract the expected amount in the China national reserve from global stocks, the remaining "free" stocks may increase by only 5% to 9.4 million tons this season. The size of the Chinese national reserve creates significant uncertainty for the global cotton market for months and maybe years to come.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	Million Tons			Changes from January Million Tons		
Production	25.101	26.964	25.47	-0.006	-0.219	-0.265
Consumption	24.495	23.138	23.96	-0.012	-0.285	-0.319
Exports	7.647	8.364	8.34	0.022	0.577	0.032
Ending Stocks	9.302	13.128	14.63	-0.028	0.038	0.092
Cotlook A Index*	1.64	1.06**				

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

** Average for the first eight months of the season (August 2011 to March 2012).

(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.