



COTTON :

Review of the World Situation

International
Cotton
Advisory
Committee

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SUPPLY AND DISTRIBUTION OF COTTON

December 20, 2004

Years Beginning August 1

	2000	2001	2002	2003 Est.	2004 Proj.	2005 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	10.103	9.691	10.506	8.464	7.81	10.00
CHINA (MAINLAND)	3.812	2.984	2.631	1.566	1.33	1.39
USA	0.852	1.307	1.622	1.172	0.76	1.89
NET EXPORTERS	3.117	3.616	4.208	3.600	3.27	5.09
NET IMPORTERS 1/	6.986	6.076	6.298	4.864	4.54	4.91
PRODUCTION						
WORLD TOTAL	19.438	21.473	19.294	20.649	24.78	22.21
CHINA (MAINLAND)	4.417	5.324	4.916	4.871	6.30	5.80
USA	3.742	4.420	3.747	3.975	4.97	3.98
INDIA	2.380	2.686	2.312	3.009	3.32	2.93
PAKISTAN	1.816	1.783	1.736	1.734	2.21	1.84
BRAZIL	0.939	0.766	0.848	1.273	1.28	1.37
UZBEKISTAN	0.975	1.055	1.022	0.893	1.06	0.99
OTHERS	5.170	5.438	4.714	4.894	5.65	5.29
CONSUMPTION						
WORLD TOTAL	19.837	20.288	21.184	21.279	22.59	23.01
CHINA (MAINLAND)	5.200	5.700	6.500	7.000	8.00	8.35
INDIA	2.924	2.910	2.914	2.950	3.10	3.19
EU, C. EUR. & TURKEY	2.361	2.430	2.399	2.226	2.20	2.17
PAKISTAN	1.764	1.855	2.042	2.100	2.20	2.27
EAST ASIA & AUSTRALIA	2.075	2.127	2.075	1.889	1.85	1.83
USA	1.929	1.676	1.583	1.413	1.39	1.32
BRAZIL	0.873	0.830	0.760	0.810	0.87	0.90
CIS	0.657	0.671	0.674	0.685	0.71	0.73
OTHERS	2.054	2.090	2.237	2.206	2.27	2.25
EXPORTS						
WORLD TOTAL	5.880	6.448	6.659	7.275	6.76	7.87
USA	1.472	2.395	2.591	2.996	2.45	3.10
CFA ZONE	0.755	0.756	0.815	1.069	0.81	1.10
UZBEKISTAN	0.800	0.810	0.798	0.644	0.72	0.70
AUSTRALIA	0.849	0.662	0.575	0.470	0.37	0.55
GREECE	0.270	0.250	0.280	0.250	0.27	0.26
BRAZIL	0.068	0.147	0.107	0.210	0.45	0.50
CHINA (MAINLAND)	0.097	0.074	0.164	0.038	0.04	0.04
IMPORTS						
WORLD TOTAL	5.737	6.227	6.539	7.278	6.76	7.87
EAST ASIA & AUSTRALIA	1.995	2.143	2.029	1.732	1.80	1.78
EU, C. EUR. & TURKEY	1.449	1.597	1.396	1.236	1.23	1.25
CIS	0.412	0.328	0.348	0.313	0.33	0.32
SOUTH AMERICA	0.300	0.213	0.325	0.303	0.22	0.21
CHINA (MAINLAND)	0.052	0.098	0.682	1.929	1.80	2.50
TRADE IMBALANCE 2/	-0.144	-0.221	-0.120	0.003	0.00	0.00
STOCKS ADJUSTMENT 3/	0.130	-0.148	-0.031	-0.026	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	9.691	10.506	8.464	7.812	10.00	9.20
CHINA (MAINLAND)	2.984	2.631	1.566	1.328	1.39	1.31
USA	1.307	1.622	1.172	0.763	1.89	1.46
NET EXPORTERS	3.616	4.208	3.600	3.268	5.09	4.46
NET IMPORTERS 1/	6.076	6.298	4.864	4.544	4.91	4.74
ENDING STOCKS/USE 4/	0.46	0.54	0.51	0.59	0.71	0.71
COTLOOK A INDEX 5/	57.20	41.80	55.40	68.30	49*	64*

1/ Includes Argentina, China (Mainland), Colombia, India, Mexico, Pakistan, Turkey and traditional importers.

2/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

3/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

4/ World-less-China (Mainland) ending stocks minus China net exports, quantity divided by world-less-China consumption.

5/ U.S. Cents per pound. The projections for 2004/05 and 2005/06 are based on net China (Mainland) trade and world-less-China (Mainland) ending stocks-to-use ratio.

*/ 95% confidence interval extends 12 cents above and below the point estimate.

SUMMARY OF THE OUTLOOK FOR COTTON

Cotton Prices to Rise in 2005

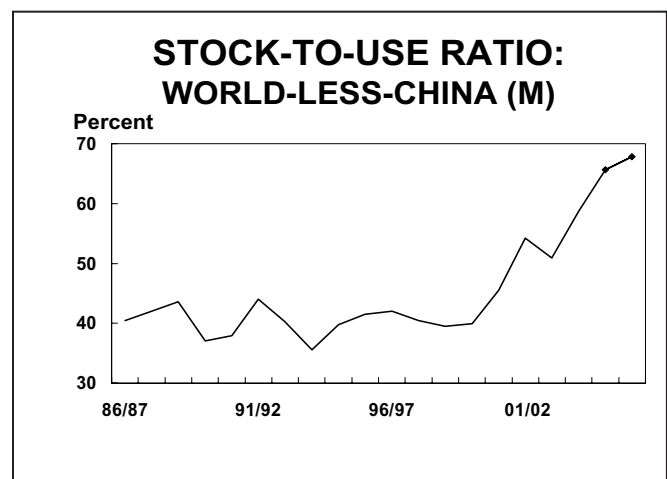
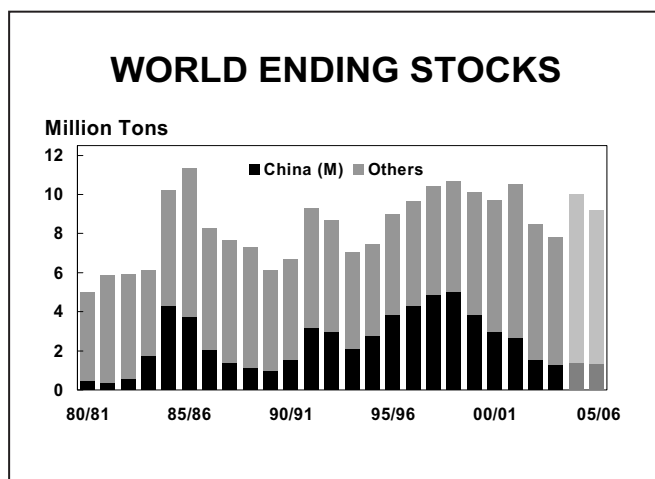
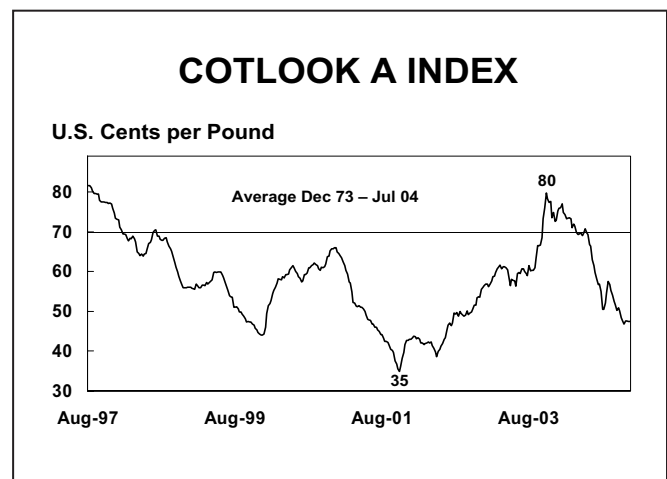
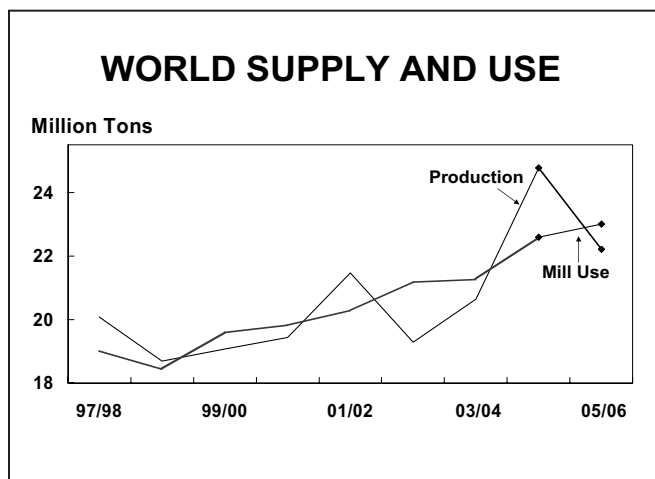
World cotton production is estimated at a record of 24.8 million tons in 2004/05, up 4.1 million tons, or 20%, from last season. World consumption is projected to rise to an all-time-high of 22.6 million tons, up 1.3 million tons (6%) from last season. As a result, world ending stocks are projected to swell by 2.2 million tons this season, to reach 10 million tons by July 31, 2005.

The Cotlook A Index dropped from 80 cents per pound at the end of October 2003 to 47 cents in mid-November 2004, the lowest since July 2002. The season-to-date average Cotlook A Index during the first 4 months of 2004/05 is 51 cents per pound. Supply and demand estimates suggest that the Cotlook A Index will average 49 cents per pound this season, 19 cents (28%) below the 6-year high in 2003/04. During the

last 5 seasons, ICAC price projections in December for the current season were underestimated 3 times (by 3 cents) and overestimated twice (by 5 cents in 2001/02 and by 9 cents in 2000/01).

Declining cotton prices in 2004 will curtail plantings and stimulate cotton mill use in 2005/06. Production is forecast to decline to 22.2 million tons next season, down 2.6 millions tons (10%), but still the second largest crop on record. Mill use is projected to climb to 23 million tons for the first time, up 400,000 tons (about 2%), outpacing production by an estimated 800,000 tons.

Due to lower domestic prices, production in China (Mainland) is projected to decrease to 5.8 million tons in 2005/06, down half a million tons from the estimated crop in 2004/05, while consumption is projected to reach 8.35 million tons. Therefore,



net imports by China (Mainland) are forecast to surge to a record of almost 2.5 million tons in 2005/06, up 700,000 tons from the forecast for the current season. However, the ending stocks-to-use ratio outside China (Mainland) is projected to remain at 71%, the highest since the late 1950s. As a result, the season-average Cotlook A Index is projected to rebound to 64 cents per pound in 2005/06, up 15 cents (31%) from the projected average for this season.

Production in 2004/05 will exceed the previous record of world production set in 2001/02 by an estimated 3.3 million tons. With production climbing to a record in China (Mainland) and the USA, the top-2 producers will account for $\frac{3}{4}$ of the increase in world production this season. Records are also expected in India, Pakistan, Brazil, the African franc zone and several other countries. In contrast, Turkey is one of the very few countries where production is declining this season.

Pending the release of an official estimate, China (Mainland)'s production is estimated at a record of 6.3 million tons, up 1.4 million tons (29%) from last season. U.S. production is bordering on an unprecedented 5 million tons, up one million tons (25%) from 2003/04, and more than half a million tons above the record set in 2001/02. Rains delayed harvesting in Texas, the largest producing state, likely affecting the quality of the crop still to be harvested. As of November 28, 75% of the U.S. crop was harvested, 8 percentage points less than in 2003 and 10 percentage points below the 5-year average.

Thanks to near-ideal weather in 2004, the average yield in the Northern Hemisphere is estimated at an all-time high of 692 kilograms per hectare in 2004/05, 52 kilograms per hectare (8%) above the record in 2001/02 and 2002/03. El Niño conditions returned in September 2004, and the U.S. National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center forecasts the current weak-warming in the tropical Pacific will last through early 2005. Expected impacts include drier-than-average weather over northeastern Australia and southeastern Africa. If the warming spreads eastward, wetter-than-average conditions would be expected in the South American coast, and drier-than-average conditions would be expected to develop in the

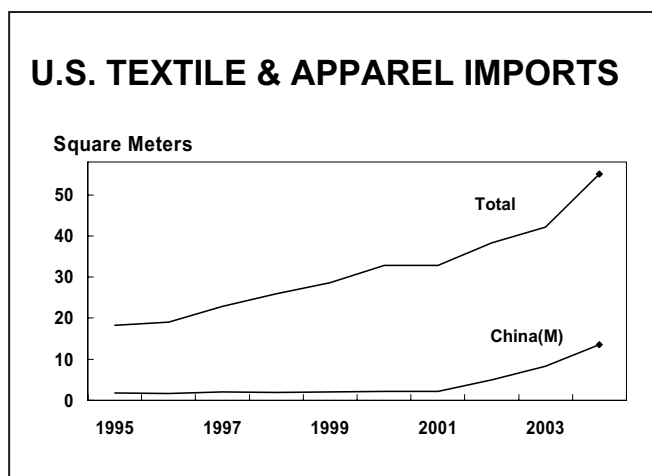
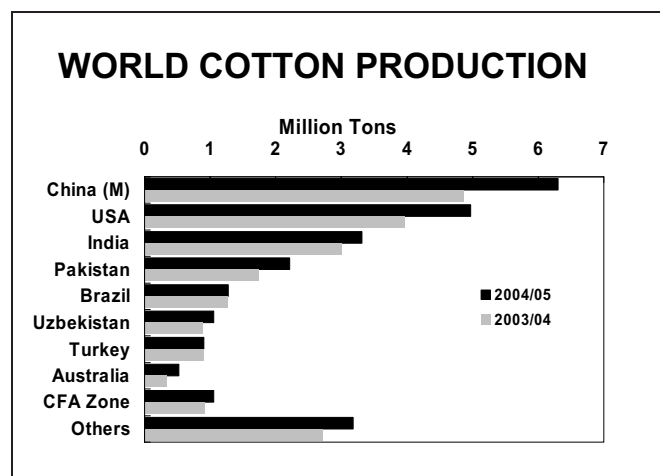
eastern Amazon and spread to Northeast Brazil. In the U.S., warmer-than-average conditions are expected in the West, while cooler and wetter-than-average conditions are expected for portions of the South and Southeast.

Planting for 2004/05 is well under way in the Southern Hemisphere. Despite prices being about 30% lower than last year at the same time, cotton area is expected up 9% to about 3.5 million hectares, as plantings rebound in Argentina and Australia. Southern Hemisphere production is forecast to climb to a record of 2.5 million tons this season, up 300,000 tons from 2003/04. Production in Australia is forecast to rebound to 525,000 tons, up 175,000 tons (50%) from last season. Brazilian production this season is expected about unchanged, close to 1.3 million tons.

Cotton mill use in China (Mainland) continues to grow very rapidly. Yarn production surpassed one million tons for the first time in October, and cumulative production during the first 4 months of 2004/05 was 22% higher than monthly data published last year and 64% higher than the same period in 2001. From August to November, production of chemical fiber rose 9% on the same period last year. China (Mainland) is the largest supplier of textiles and apparel to the U.S. Since the yuan is unofficially pegged to the U.S. dollar, the erosion of the U.S. currency actually improves the competitiveness of China (Mainland)'s exports to the U.S. market at the expense of the other countries. During the first ten months of 2004, the volume of Chinese textile exports to the U.S. soared 50% while apparel exports rose 30%. Overall, China (Mainland)'s share of U.S. textile and apparel imports rose from 19% to 25%. Total cotton consumption in China (Mainland), including an estimated 350,000 tons of non-mill uses, is expected to climb to 8 million tons in 2004/05, up one million tons (14%) from 2003/04, and will account for 35% of world mill use.


As cotton is price competitive with polyester, mill use outside China (Mainland) is expected to reach 14.6 million tons in 2004/05, up 300,000 tons from a 5-year low last season.

Thanks to lower cotton prices and a weakening dollar, U.S. cotton mill use during the first three months of 2004/05 was



1% higher than last season, but 17 % lower than during the same period in 2002. Cotton's market share in the U.S. cotton system rose to 83% in October. Nevertheless, U.S. imports of textile and apparel from January to October 2004 were 10% higher in volume than during the first ten months of 2003, and the trade deficit in value rose 7%. U.S. mill use is expected to fall below 1.4 million tons in 2004/05 and to about 1.3 million tons next season, down from about 2.5 million tons in 1997/98 and the lowest since 1984/85.

The remaining quotas on textile and clothing trade among WTO member countries will be eliminated as planned on December 31, 2004. Quotas against non-WTO member countries such as Iran, Russia, Sudan, Syria and Vietnam will remain in force. Safeguard petitions to limit the growth of imports from China (Mainland) to developed countries are likely to multiply in numerous textile categories, as allowed until 2008 under WTO rules.

By December 2, 2004, U.S. export shipments were lagging those recorded a year ago by 100,000 tons (16%) and total commitments of 1.7 million tons, were about 200,000 tons (9%) below those at the same time in 2003/04. Export commitments to China (Mainland) reached only 160,000 tons, 4 times less than one year earlier, but are expected to pick up during the second half of the season. In contrast, export commitments to the rest of the world were 30% higher than by early December 2003. However, the potential for U.S. exports outside China (Mainland) is shrinking in 2004/05 because production is forecast to exceed mill use in other countries by 300,000 tons, compared with a deficit of over one million tons last season. As a result, U.S. exports are projected to decline to 2.45 million tons in 2004/05, 36% of world exports, down from a record of 3 million tons last season and 41% of world exports. Step 2 payment rates to exporters and domestic users of U.S. cotton rose above 4 cents per pound in November 2004. 

PRODUCTION FORECAST DOWN 10% IN 2005/06

By Gérald Estur, ICAC

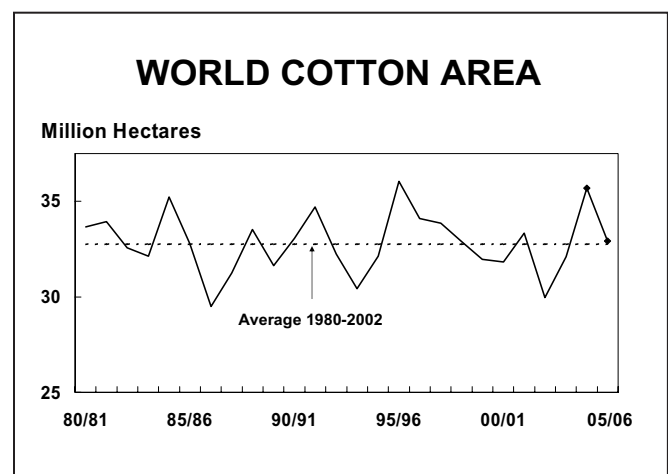
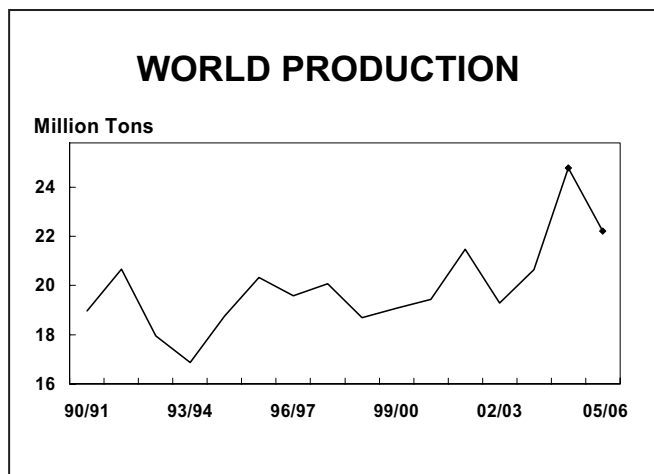
World cotton production is expected to decline 10% in 2005/06 from an estimated record of 24.8 million tons in 2004/05 to 22.2 million tons. Lower prices in 2004, combined with the anticipated return of normal weather in 2005 after near-ideal conditions this year, will lead to lower production.

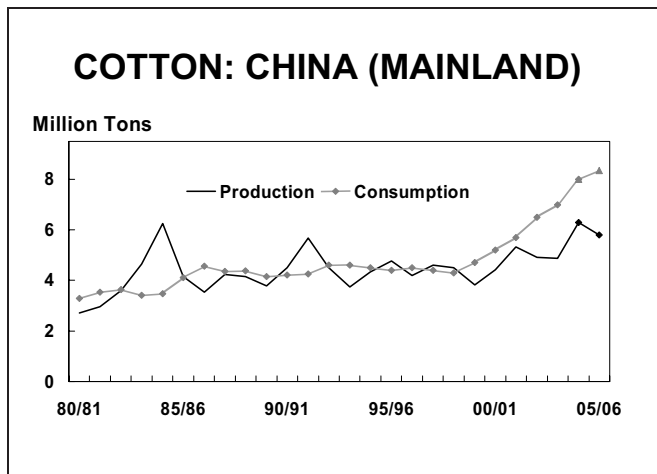
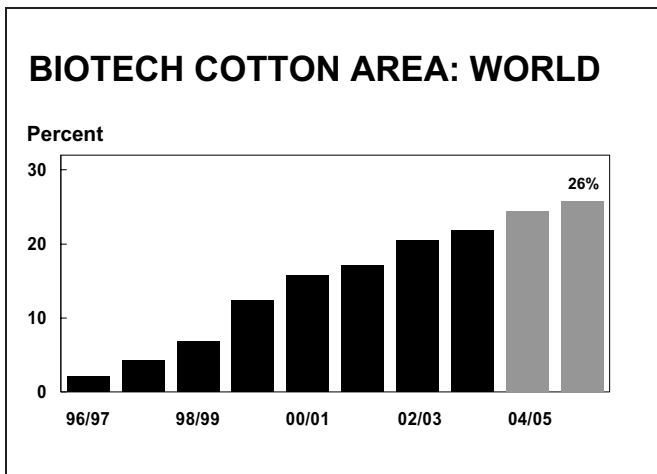
However, government measures in many countries are expected to prevent a decline in cotton area in 2005/06 commensurate with the drop in prices during 2004. World cotton area is forecast to fall below 33 million hectares, down 8% or 2.8 million hectares, from a 9-year high in 2004/05. Planted area in 2005/06 will be equal to the 10-year average. In addition, the expanded use of new technologies, including biotech cotton, is contributing to lower production costs, thus sustaining cotton production. At current exchange rates, marginal production costs, and in the case of the most efficient

producers total costs, are below 55 cents per pound in several countries. It is estimated that 26% of world cotton area will be planted to biotech varieties in 2005/06, accounting for about 35% of world production.

Based on recent average yields and trends for each country, assuming average weather, the world average yield is projected at 675 kilograms per hectare in 2005/06, about 20 kilograms per hectare lower than the estimated record this season, but still the second highest ever, thanks to the technology shifts. Year-to-year fluctuations in actual yields are a significant factor in the volatility of cotton prices.

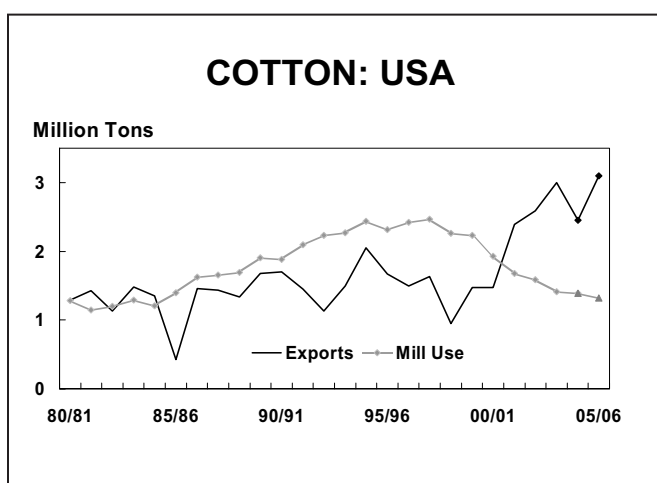
Domestic prices in China (Mainland), as measured by the China Cotton Index (weighted average of mill delivered prices for grade 328, equivalent to Middling 1-3/32), dropped 35% in



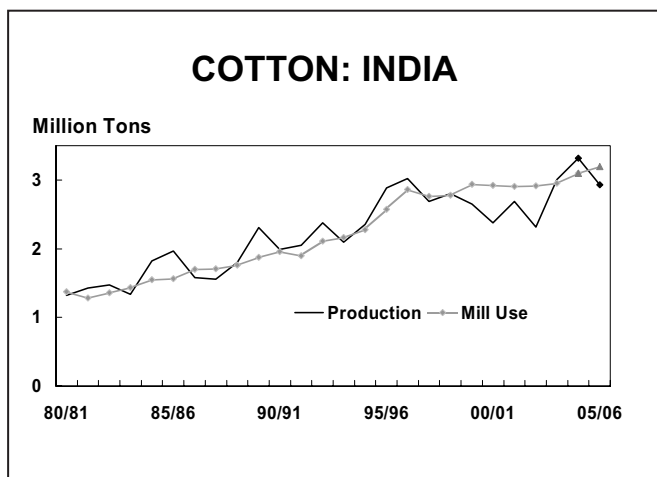
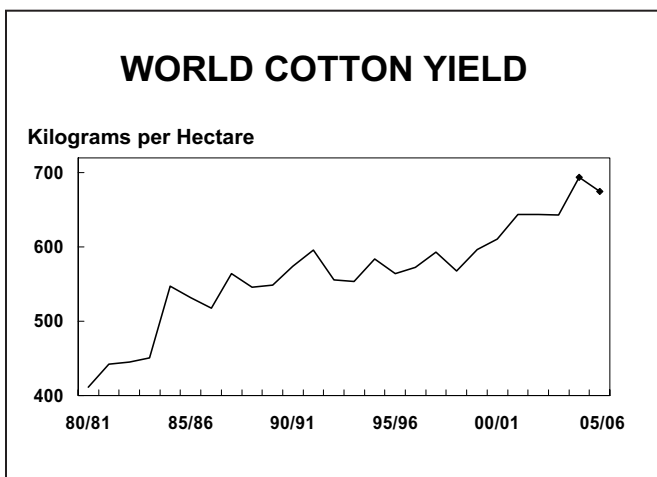


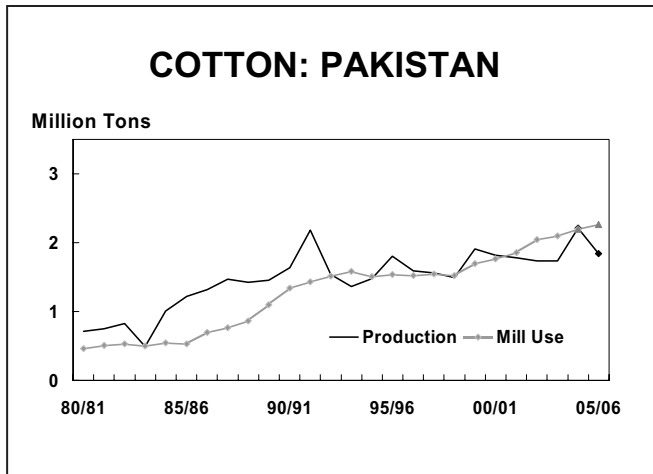
the 12 months to November 2004. Although they remain more than 5 cents per pound higher than world prices, cotton is less attractive than competing crops in the Eastern provinces and plantings are projected down 12% in 2005/06, from 4.55 to 4 million hectares. As cotton is facing little competition from other crops in Xinjiang, plantings are expected unchanged at 1.1 million hectares in that region. Assuming an average yield of 1,135 kilograms per hectare, production in China (Mainland) is expected to slip to 4.8 million tons, down half a million tons (8%) from the current estimate for 2004/05.

In the USA, the farm bill that protects producers against world price fluctuations will remain unchanged in 2005/06. Despite lower market prices, the revenue received by farmers, including government support, is actually higher in 2004/05 than in 2003/04, thanks to higher yields. Assuming 5.5 million hectares planted next season, (close to the 3-year average), and 11% abandonment (the same as in 2002 and 2003, up from only 4% in 2004), 4.9 million hectares would be harvested in 2005/06, down 9% from this season. Based on a 4-year average yield of 820 kilograms per hectare, sharply down from an unprecedented 928 kilograms per hectare in 2004/05, U.S. production would drop to 4 million tons (down 20%) in 2005/06, about one million tons less than the record this season.



Domestic prices in India were about 25% lower in November 2004 than one year earlier, prompting the government to intervene to support prices. Cotton area is forecast to drop 12% in 2005/06, from 9.1 million hectares this season to 8 million hectares, the same as in 2003/04. The area planted to officially approved biotech varieties is expected to double to reach one million hectares. Assuming an average yield of 365 kilograms per hectare, production in India is forecast down



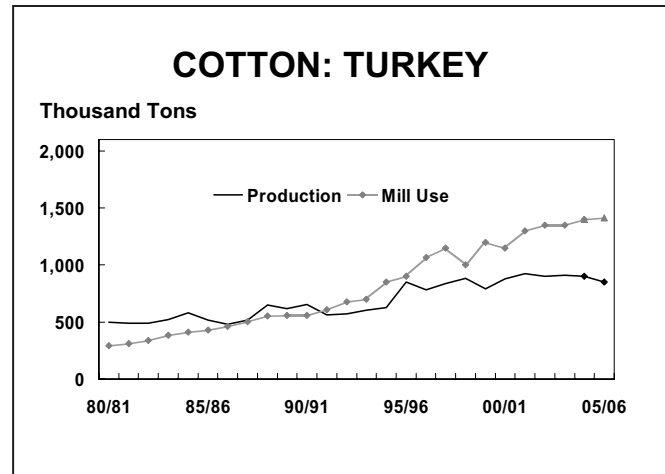


400,000 tons (12%) to 2.9 million tons from the estimated record in 2004/05.

Producer prices in Pakistan were about 30% lower in November 2004 on the year. However, the record average yield in 2004/05, up 20% from last season, largely compensates for lower prices, and farmers generally base their planting decision on their income during the previous season. In addition, Pakistan remains affected by drought, and cotton is less water demanding than the competing crops, sugarcane and rice. Therefore, plantings in Pakistan are expected to decline only 6% to 3 million hectares. Assuming an average yield of 615 kilograms per hectare, 75 kilograms less than this season, production in Pakistan is expected to drop to 1.85 million tons in 2005/06, down 350,000 tons (16%) from the estimated bumper crop this season.

Plantings in Uzbekistan are relatively unaffected by fluctuations in international prices, and they are expected to remain at about 1.4 million hectares in 2005/06. Assuming an average yield of about 700 kilograms per hectare, production is projected down 6% to just below one million tons.

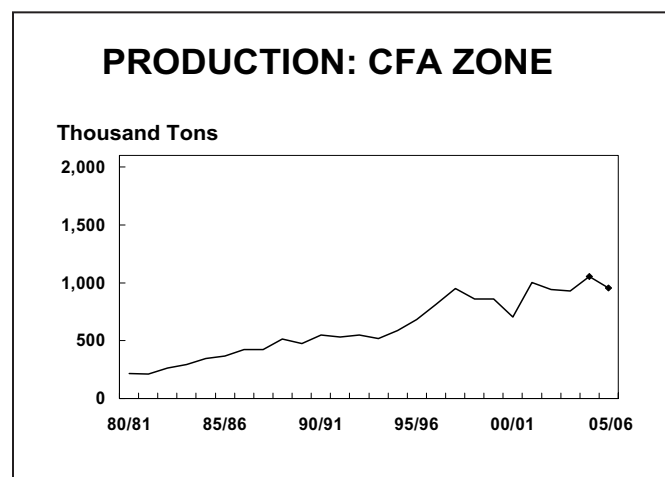
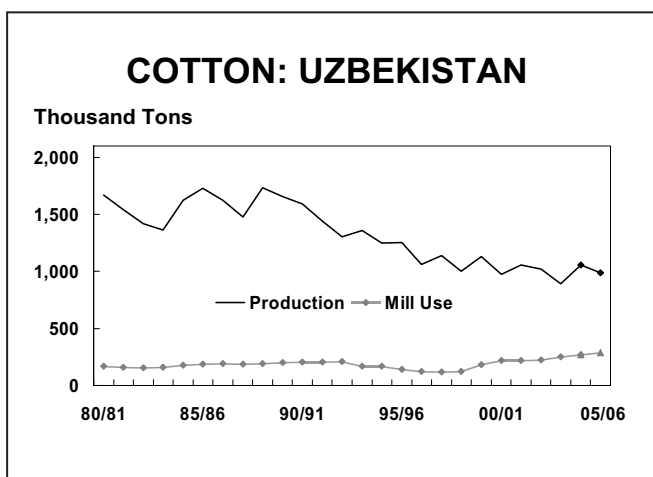
Plantings in Turkey are expected to remain unchanged from 2004/05 at 675,000 hectares. Based on an average yield

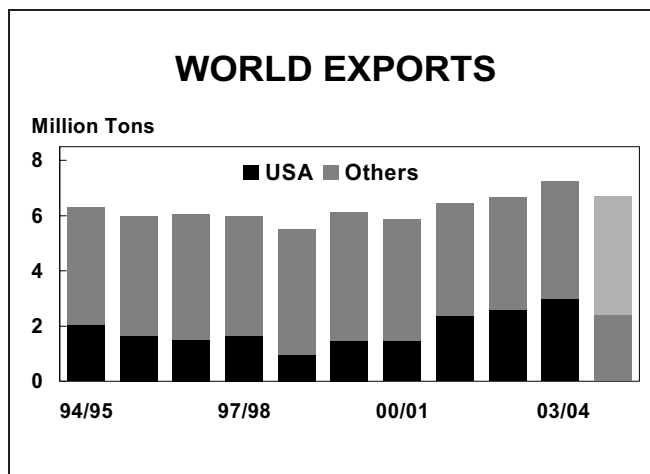
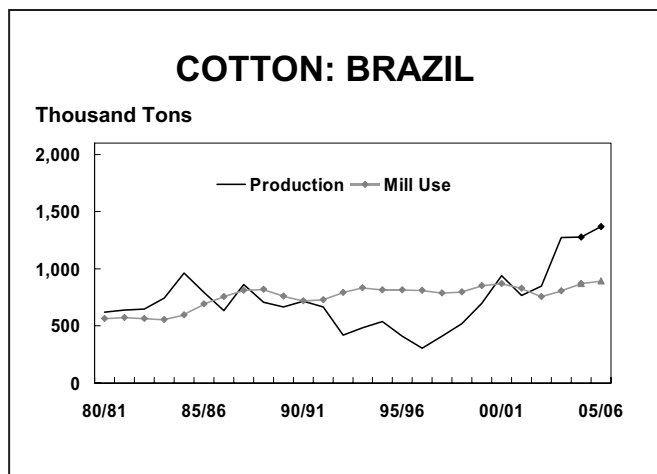


of 1,260 kilograms per hectare in 2005/06, production is projected to decline to 850,000 tons, down 50,000 tons from this season.

The African franc zone producing countries are severely affected by the weakening of the U.S. dollar against the euro, to which their common currency is pegged. Between the end of October 2001 and the beginning of December 2004, the euro and the CFA franc gained almost 50% against the dollar. International cotton prices in CFA nominal terms are the lowest since 1993. As a result, producer prices will have to be reduced in 2005/06 leading to a decline in plantings. However, there is almost no attractive alternative to cotton in the producing areas and the decline in plantings is not expected to exceed 7%, down to 2.2 million hectares. Yields will likely be affected by reduced use of inputs and are projected down to 425 kilograms per hectare. As a result, overall production in the CFA zone is forecast to decline to 950,000 tons in 2005/06, down 100,000 tons (10%) from the estimated record this season.

Exchange rates have much less negative impact in the other Sub-Saharan African countries, including those in the Southern Hemisphere. Their overall production is expected down 2% to about 600,000 tons in 2005/06.





As no change in the European Union cotton support policy will occur in 2005, plantings in the EU are expected to remain around 460,000 hectares next season. Assuming less favorable weather than in 2004, production is forecast to decline to 465,000 tons, down 35,000 tons from 2004/05.

Overall production in the Northern Hemisphere is projected down 12% from 22.3 million tons this season to 19.7 million tons in 2005/06.

In contrast, plantings in the Southern Hemisphere are expected to respond to likely higher prices during the second semester of 2005. Overall production is projected up 5%, to a record of 2.6 million tons. Cotton area in Brazil is forecast to rise 7%, to reach 1.2 million hectares. Assuming an average yield of 1,140 kilograms per hectare, the highest in the world under rainfed cultivation, Brazilian production is projected to climb to a record of about 1.4 million tons, up about 100,000 tons (7%) from the previous 2 seasons. The Brazilian currency did not appreciate against the U.S. dollar between the end of October 2001 and the beginning of December 2004. In contrast, the Australian dollar gained 55% against the U.S. dollar during the same period, which is affecting the profitability of the cotton sector. Therefore, plantings are not expected to recover to their level of over 500,000 hectares prior to the drought in 2002. Nevertheless, plantings are projected up to 350,000 hectares. With an average yield of about 1,700 kilograms per hectare, production in Australia is forecast to reach 585,000 tons, up 11% from the estimate for the current season.

During the last five seasons, ICAC projections at this time of the year of world production one season ahead were underestimated three times (by 400,000 tons for 2000/01 and 2003/04 and by 1.8 million tons for 2001/02) overestimated once (by 300,000 tons for 2002/03) and were about right for 1999/00.

World cotton consumption is forecast to increase by 400,000 tons, reaching a record of 23 million tons in 2005/06. Consumption is expected to increase by 4% in China (Mainland), from 8 to 8.35 million tons. Mill use outside China (Mainland) is forecast at 14.7 million tons, up 100,000 tons.

With a projected gap of over 2.5 million tons between domestic consumption and production in 2005/06, China (Mainland) is expected to increase its imports to 2.5 million tons. Mill use is expected to exceed domestic production in India, Pakistan and Turkey by a combined 1.25 million tons in 2005/06, nearly one million tons more than this season. As a result, international cotton trade is forecast up 1.1 million tons to reach a record of 7.9 million tons in 2005/06, 36% of projected world production. The United States is forecast to export a record 3.1 million tons, 39% of world exports.

World ending stocks are projected to decrease by some 800,000 tons, falling to 9.2 million tons by July 31, 2006. The world stocks-to-use ratio would decline to 40%, down 4 percentage points from the estimate for this season. Ending stocks out-of-China (Mainland) are forecast down 700,000 tons, to 7.9 million tons. The stocks-to-use ratio outside China (Mainland) is projected at 71%, unchanged from the ratio anticipated for 2004/05.

Based on current estimates of market fundamentals, the 2005/06 average Cotlook A Index is projected at 64 cents per pound, 15 cents per pound above the current projection for this season. During the last five seasons, ICAC projections at this time of the year of the average Cotlook A Index one season ahead were underestimated three times (by about 4 cents for 2000/01 and 2002/03 and by 14 cents for 2003/04) and overestimated twice (by 21 cents per pound for 1999/00 and by 31 cents for 2001/02).

DEVELOPMENTS IN WORLD COTTON TRADE

By Andrei Guitchounts, ICAC

World cotton trade rose during the three seasons since 2000/01 by 1.5 million tons and reached a record of 7.3 million tons in 2003/04 because of a shift of textile production to cotton producing countries. Production fell below consumption in China (Mainland), Pakistan, India and Turkey. As a result of increased dependency of the four producing countries on trade, world imports as a share of world mill use rose from 29% in 2000/01 to 34% in 2003/04. China (Mainland), Turkey, India and Pakistan accounted for 15% of world imports in 2000/01 and for an estimated 42% in 2003/04. Imports by the rest of the world declined from 4.9 million tons in 2000/01 to 4.2 million tons in 2003/04.

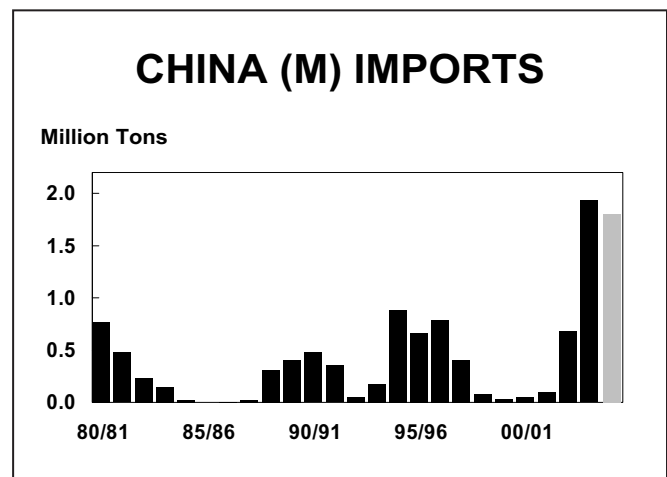
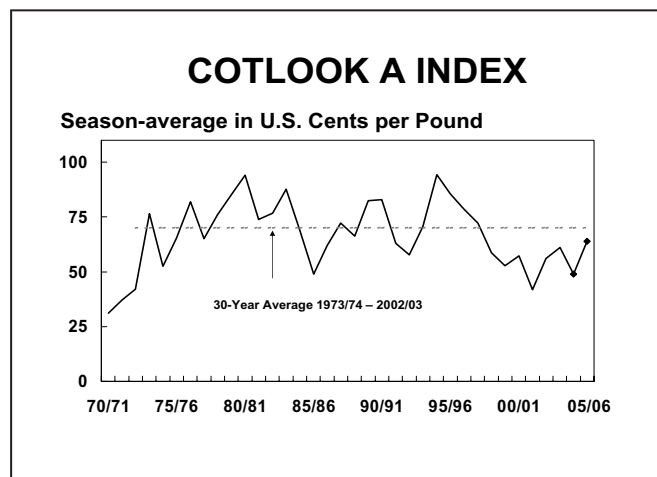
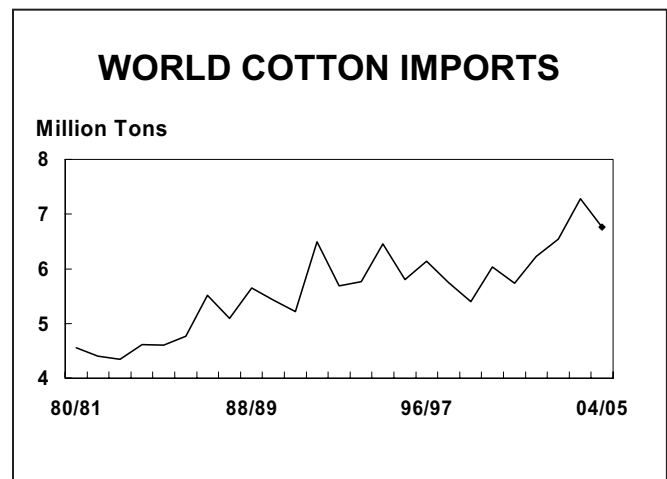
In 2004/05, world cotton trade is expected to decline to 6.8 million tons, despite growing mill use in the four countries, because of increasing domestic production in China (Mainland), India and Pakistan. In 2004/05 The share of the four countries in world imports is estimated at 39%, imports in the rest of the world will decline by 100,000 tons.

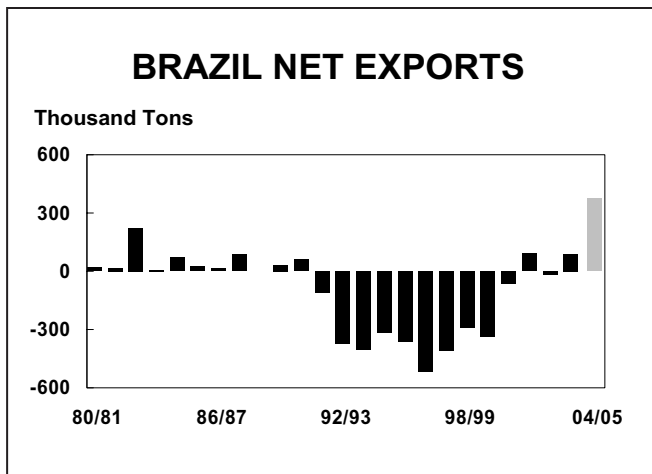
The largest and most significant impetus to the growth of world trade was provided by a sharp increase of cotton use in China (Mainland). A record surge of cotton imports by China (Mainland) to 1.9 million tons or 26% of world imports in 2003/04 led world trade to a record. With the reduction of stocks in China (Mainland) to minimum levels, the government began to provide full support to imports by issuing sufficient import quotas as a measure to balance supply and use, reduce domestic prices and make the textile industry more competitive. The USA was the largest source of imported cotton for China (Mainland) accounting for 1.1 million tons, or 57%, of all imports by China (Mainland) in 2003/04; CFA zone countries accounted for 19%; Central Asia for 10%; and Australia for 4%. Cotton production in China (Mainland) increased in 2004/05, narrowing the gap with rising consumption, and leading to a decline in imports to a projected 1.8 million tons. Some of the new crop supplies will

be used to replenish government strategic reserves.

The largest share of increased world import demand was met during the past three seasons by exports from the USA. Large supplies of cotton in the USA, declining mill use and the effects of the marketing competitiveness provisions of the government program, known as the marketing loan and Step 2, led to record U.S. exports in each of the past three seasons starting with 2001/02. U.S. exports reached 3 million tons in 2003/04, or 41% of world exports, compared with 1.5 million tons, or 25% of world exports in 2000/01. In 2003/04 China (Mainland) accounted for 36% of U.S. exports. In 2004/05, cotton supply in the USA is increasing. However, U.S. exports are expected to decline to 2.45 million tons because of a projected decline in imports by producing countries, and will account for 36% of world exports.

Because of a projected decline in import demand during 2004/05, shipments by most of the major exporters are expected to decline, except for Uzbekistan where a projected rebound in production will boost exports 12% to a projected



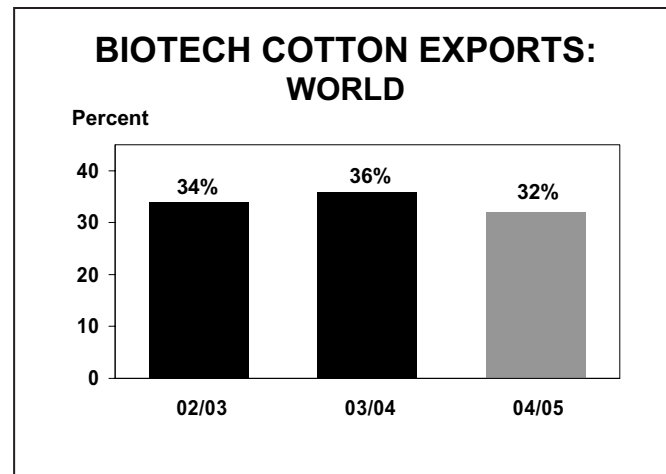


720,000 tons. Shipments from Brazil are also expected to rise. Between 1991/92 and 2002/03, Brazil was a net importer of cotton. However, cotton production rose rapidly in the late 1990s because of new high yielding commercial production in Central Brazil, including, Mato Grosso. In 2003/04, cotton production exceeded consumption by almost half a million tons, and Brazil became a net exporter again. Exports by Brazil are projected to more than double in 2004/05, from 210,000 tons in 2003/04 to 450,000 tons.

Exports from the African franc zone are expected to drop from a record of almost 1.1 million tons in 2003/04 to about 800,000 tons in 2004/05.


Trade of Biotech Cotton

Biotech cotton is entering the world textile trade pipeline in increasing volumes as a result of growing world production and exports from the USA and Australia and rising textile exports from China (Mainland). Based on the production shares of biotech cotton in exporting countries, it is estimated that biotech cotton accounted for 34% of world exports in 2002/03 and 36% in 2003/04. In 2004/05 the share of biotech



cotton in world exports is projected to decline to 32% because of an expected decline in exports from the USA. A larger share of world production will be consumed domestically in China (Mainland). In 2003/04, an estimated 64% of all exports of biotech cotton went to Asia and Oceania (not counting the Middle East) compared with 58% in 2002/03.

Based on domestically produced and imported biotech cotton, especially in China (Mainland), it is estimated that 60% of mill use in Asia and Oceania was accounted for by biotech cotton in 2003/04 compared with 31% in 2002/03. Taking into account that Asia and Oceania account for more than 65% of world exports of cotton textiles, it is evident that the share of biotech cotton in textiles traded in major markets in Europe and America is rising.

Despite an increasing share of biotech cotton traded in the world, there are no price differentials for biotech and non-biotech cotton fiber, or textiles containing biotech cotton. There is no evidence of consumer rejection of biotech cotton by any segment of the market or any region. In practice, markets do not identify biotech cotton content, but rather evaluate cotton properties based on quality characteristics. 

FIFTH YEAR OF RECORD COTTON CONSUMPTION

By Carlos Valderrama, ICAC

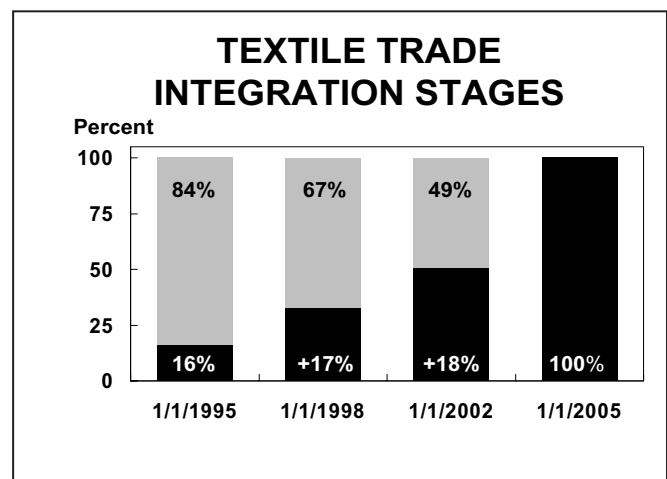
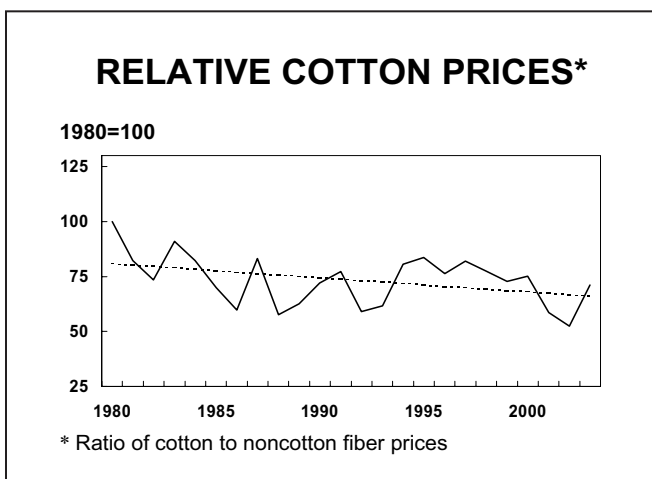
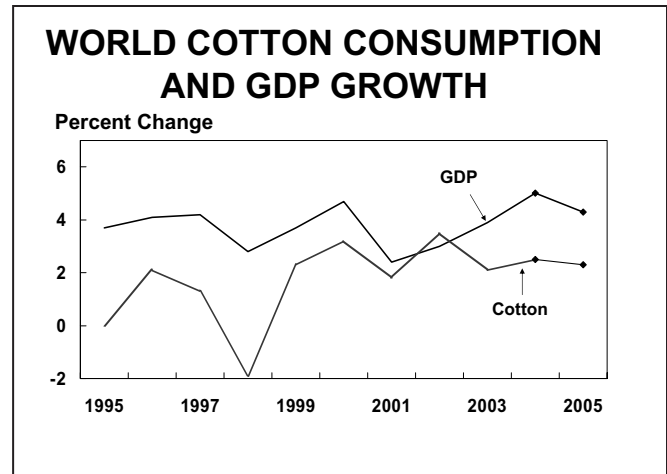
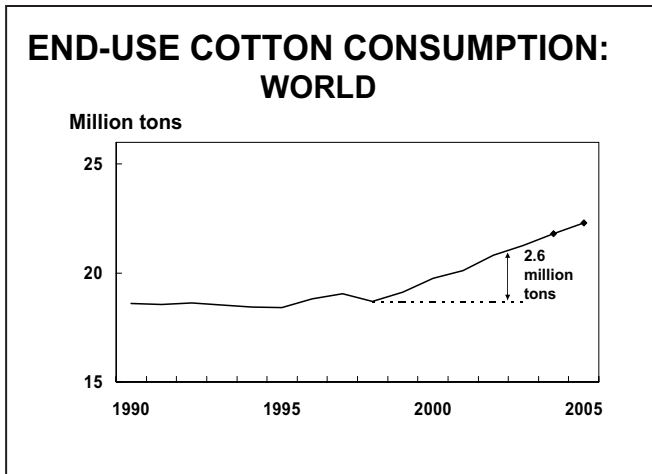
End-Use Consumption

World cotton consumption increased by 2.1% and reached 21.3 million tons in 2003, the fifth consecutive year that cotton consumption reached a new record. Between 1998 and 2003, 2.6 million tons of additional cotton were consumed worldwide.

Cotton consumption is projected to continue to expand to new records in the next two years. Cotton prices increased in 2003, but they were still lower than average prices in the two previous decades. Further, prices are declining rapidly in 2004 and are expected to have a positive impact on cotton

consumption in 2005. World cotton consumption will likely reach 22.3 million tons in 2005.

Increases in final consumption between 1998 and 2003 took place in both industrial and developing countries, as well as in countries in Central and Eastern Europe and the former USSR. Nonetheless, increases in developing countries were more rapid than world cotton consumption growth, and their share of world final consumption increased from 49% in 1998 to 52% in 2003. In Central and Eastern Europe and the former USSR, the share of world end-use cotton consumption increased from 3% in 1998 to 4% in 2003.



In contrast, end-use cotton consumption in industrial countries accounted for 48% of world consumption in 1998 and 44% in 2003. Only in the USA and Canada did end-use cotton consumption increase, rising by half a million tons during the five-year period, while small declines were registered in the remaining industrial countries.

Prices played an important role in support of cotton consumption. Cotton prices relative to prices of other textile fibers declined 10% between 1998 and 2000, 22% in 2001 and 9% in 2002. It is estimated that the decline in relative cotton prices in 2002 improved the rate of growth of cotton consumption by four-tenths of a percentage point in 2003.

Population increases and increases in income per capita also supported cotton consumption over the last five years. Compared to the 1990s, world GDP growth has correlated better with increases in cotton consumption since 1999.

One exogenous factor that has supported textile consumption in the last few years is the gradual integration of textile trade into WTO rules. Just over half of the quota categories covering world textile trade have already been gradually integrated, and on January 1 2005, all textile trade will be integrated into WTO rules. Therefore, quotas agreed under the Multifiber Arrangement (MFA) will no longer exist.

Research by the Secretariat, using previous joint work with FAO, suggests that because of textile quota elimination, the world will consume half a million tons more cotton by 2005. A portion of the gains in cotton consumption due to quota elimination is likely to have occurred between 1995 and 2003, particularly since January 1, 2002.

Research and promotion have also supported cotton consumption. Research by the Secretariat suggests that as a result of research and promotion 300,000 tons more of cotton have been consumed since 1998.

Mill Consumption

While increases in cotton consumption at the end-use level have been relatively broad based, mill consumption of cotton has concentrated rapidly in developing countries, particularly in China (Mainland), at the expense of declines in cotton processing in the rest of the world, particularly in industrial countries.

The erosion of the cotton textile sector in industrial countries accelerated in 2003 to an 11% decline, falling to 2.5 million tons in 2003. The decline is the single largest annual decline in industrial countries since 1937, when a large correction was forced on the world textile industry due to rapid accumulation

of inventories since 1929. Between 1997 and 2003, mill consumption of cotton in industrial countries declined by 1.5 million tons. It is expected that cotton processing in industrial countries will continue to decline this year and the next, falling to 2.1 million tons in 2005.

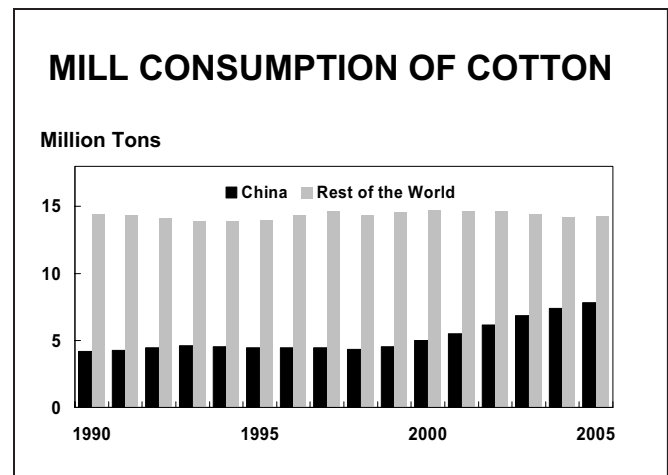
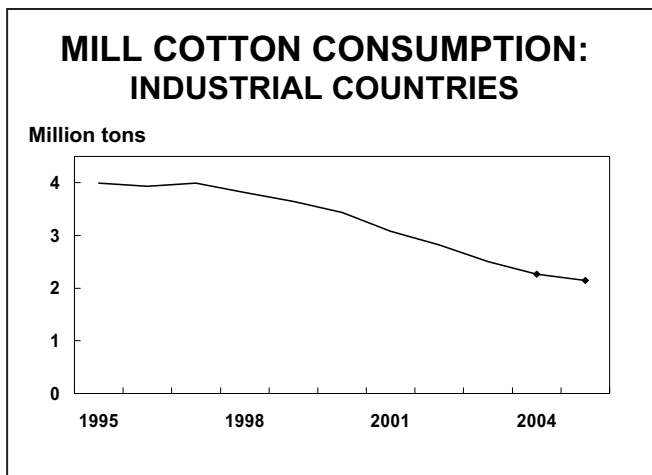
Mill consumption of cotton in developing countries increased 4.4%, reaching 17.8 million tons in 2003, and is expected to continue to increase to 19.7 million tons in 2005. Asia took virtually all the additional mill consumption in developing countries in 2003. Increases in China (Mainland) and Pakistan were the only sizable gains, and combined were 6% larger than the increase in all developing countries.

The degree of concentration of world cotton processing in China (Mainland) continued to increase in 2003. Mill consumption of cotton increased 12% to reach 6.8 million tons and China (Mainland) accounted for 32% of world mill consumption in 2003. Well over half of the world shipments of cotton spinning machinery were bound for China (Mainland) in 2003. The Chinese economy as a whole is starting to show signs of overheating, but economic authorities are calibrating policies for a soft slowdown of economic activity in the next two years, and GDP growth is expected to slow from 9% in 2003 and 2004 to 7.5% in 2005. Even if the expansion of mill

consumption of cotton slows to half the rate of growth of the last four years, China (Mainland) would still increase its share of world mill consumption. Mill consumption in China Mainland is expected to expand by 8% this year and by 6% next year to reach 8.1 million tons in 2005, accounting for 36% of world mill consumption of cotton.

Mill consumption of cotton in Central and Eastern Europe and the former USSR is expected to reach 900,000 tons in 2005, up 200,000 tons from 1996 but still way below the level of 2.4 million tons in 1990.

In the last few months, the rapid expansion of the share of China (Mainland) exports of textile manufactures became a matter of concern for exporting and importing countries. Not only has China (Mainland) successfully increased its share of exports to the European Union and the United States, but also in other unrestricted countries such as Japan, Australia and South Africa, as well as several other developing countries. Nonetheless, some studies suggest that other Asian countries such as India, Indonesia and Vietnam are catching up in terms of favorable unit labor costs, that China (Mainland) is not strong in terms of design and fashion capabilities and that other countries have an opportunity to better compete with China (Mainland) due to geographical location and in-time production.



THE RESPONSIBILITY OF GOVERNMENTS FOR THE ENFORCEMENT OF ARBITRAL AWARDS

Adapted from a paper presented to the Ninth Open Session of the ICAC 63rd Plenary Meeting, Mumbai, India, December 2, 2004

By Neal P. Gillen, Executive Vice President & General Counsel,
American Cotton Shippers Association (ACSA), USA

The cotton industry functions as an open network, which moves cotton from the field to the mill. Participation in the cotton supply trade network carries with it the obligation to adhere to a set of well-established principles grounded on the assumption that the corresponding party will honor his contract, resolve disputes through amicable negotiations, or submit the dispute to recognized and impartial industry arbitration fora.

Since its inception, the cotton trade has used as its principle the social capital of trust, which acknowledges the existence of shared values or norms and requires the adoption of these positive values in the industry's reciprocal business transactions. In recent years, the patterns of trade have changed as textile production moved from the developed to the developing world. Among new textile producers, a minority has not readily accepted the essential ethic of trade and has deemed a price swing against their position as reason to abrogate their contractual obligations and to ignore arbitration awards. By doing so, the minority adds significantly to the costs of doing business, and jeopardizes a well-established system of trade.

Though the obvious benefits of arbitration are long recognized throughout the world, there are those still to be convinced within the cotton trading system, particularly those in the emerging markets. It is imperative to assure that defaulting participants in the market do not receive a competitive edge over their colleagues who honor their contractual obligations, and it is essential that all market participants embrace a proven dispute resolution system.

There is an overwhelming acceptance and use of arbitration throughout the world. On June 10, 1958 the delegates to the United Nations ratified the provisions of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). The New York Convention and the Model Law provide a framework for the international trade in cotton to resolve disputes through arbitration and to have the awards, rendered by the arbitral body, enforced in the domiciliary country of the losing party. Currently, 134 countries have agreed to participate in the New York Convention and have ratified the treaty. Four ICAC member countries, Chad, Pakistan, Sudan, and Togo have not ratified the treaty.

Considering the large volume of cotton traded in the export market each year, some 6.5 million tons with an approximate

value of \$7.5 billion, the overall record of contract execution through payment and the timely delivery of the cotton pursuant to the terms and conditions of each contract is significant. The level or degree of defaults, however, is estimated to add approximately \$300 million to the costs of doing business each year. If cotton is to remain competitive with synthetic fibers, the additional cost of doing business must be reduced. Further, the additional cost limits the viability of the cotton trade and the availability of cotton in those markets with a high level of defaults. Those suppliers willing to sell in markets with an attendant risk of potential contract defaults, out of necessity, will include a risk premium in the price of cotton to offset such risk.

Currently, there are 268 parties from 55 countries who are listed by the Committee for International Cooperation between Cotton Associations (CICCA) for failing to honor an arbitration award. Of the 288 defaults by the 268 parties the International Cotton Association (ICA) [formerly known as Liverpool Cotton Association - LCA-] issued 222 awards totaling \$89.3 million. Most of the entities listed for failing to pay their outstanding arbitration awards are textile mills or buyers who failed to perform their contracts in declining markets along with a few merchants and farm cooperatives who failed to perform as sellers in rising markets. Almost 60 percent, of the defaults have occurred in seven countries that have expanded their textile production in recent years: India, Bangladesh, Pakistan, Brazil, Turkey, Mexico and Indonesia.

A majority of the defaults are occurring in relatively new markets, due to cultural and ethical issues ingrained in business practices or customs regarding contractual obligations, particularly in the yarn spinning sector, restrictive currency regulations that inhibit hedging and in some cases outright prohibitions against hedging, and lack of familiarity with international trading rules and arbitration procedures along with the consequences of failing to comply with these universally acceptable precepts.

Those selling into these new markets must acknowledge each of these factors. Further, the individual merchants or their trade organizations should consider undertaking a comprehensive and large scale educational effort to familiarize the new buyers with the prevailing trade rules, the protections and expectations of those rules – that the seller will deliver and the buyer will make payment and accept delivery with the understanding that the parties will utilize

the available dispute resolution procedures when differences arise, and the additional protection of the industry's system of listing parties in default for failing to honor a contract or an arbitration award. Such an effort cannot succeed until the trade and the mills in the countries with high levels of defaults fully comprehend and support the necessity for a rules-based system and are convinced that dispute resolution through arbitration is fair, impartial, affordable, and enforceable.

It is also imperative that those countries now actively engaged in the purchase and/or sale of cotton in the world market undertake the necessary reforms in their financial and currency regulations to permit the stakeholders to make effective use of the available risk management alternatives that will protect them against adverse price movements.


Fortunately, disputes arise infrequently, but they do have a pattern of occurring when prices move up or down in short time spans. Usually, few people are involved and they also fit into a pattern. The majority of market participants understand the attendant risks involved in a prospective trade and they act prudently in their business undertakings. Problems occur, however, when new markets emerge. Therefore, the risk exposure to merchants is greater in such markets. Because of a lack of prior dealings there is no credit or payment experience with the buyers. As long as the price is stable or increasing, the contracts are secure. When prices decline, however, outstanding and undelivered contracts are at great risks and defaults or renegotiations are likely to occur. The buyers in the emerging markets are also at risk to unscrupulous sellers when such markets initially open. This usually happens when buyers, unfamiliar with the established and reliable merchant firms, accept contract terms and conditions significantly better than those offered by the trade.

Approximately seventy percent of the cotton traded in the export market is sold pursuant to ICA Rules. While other trade rules exist in the markets represented by the CICC member organizations, in the last 20 years, the industry decided it was in the best interest of buyers and sellers to trade under a single set of common equitable rules.

Quality disputes are usually resolved quickly through negotiation resulting in mutually agreed upon concessions in future shipments of the same sale or in future sales. Technical disputes are more difficult to amicably negotiate and are more likely to be arbitrated. In a technical dispute, a sole arbitrator may be agreed upon. If not, then each party appoints an approved arbitrator.

The arbitration award is but the penultimate step in the dispute resolution process. The final step requires the prevailing party to enforce the award by requesting payment, and if payment is not made on a timely basis the means that can be utilized to secure payment are negotiation, enforcement and industry default lists.

Though the major cotton producing, trading, and textile manufacturing nations have adopted the New York Convention there is a problem of enforcement in the developing countries. Therefore, there is a reluctance to undertake the unknown costs to litigate in such systems. The remaining alternative in such situations is to give notice to the other members of the industry of your unresolved contract problems advising them that dealing with such a party, should they still remain in business, could place one in financial jeopardy. This is accomplished by submitting the name of the defaulting party to one of the recognized arbitral organizations for consideration for listing on a published Default List. In recent years, the trade rules of the ICA and ACSA have been tightened to disallow defaulting parties or those dealing with defaulting parties from access to industry arbitration systems to resolve disputes. These rule changes are expected to achieve the desired effect of reducing the number of contracts and arbitration awards in default.

It is the responsibility of the cotton industry to intensify its outreach and educational efforts in the emerging markets on contract sanctity and adherence to a rules-based system of trade that has as its core the resolution of disputes by impartial industry arbitration systems as well as introducing and applying self-policing systems. That process is now underway in China (Mainland), the largest of the emerging markets. 

IMPROVEMENT OF COTTON TRADING PRACTICES – PROSPECTS AND PROBLEMS

THE EXPERIENCE OF IMPORTERS

Adapted from a paper presented to the Ninth Open Session of the ICAC 63rd Plenary Meeting, Mumbai, India, December 2, 2004

By Dr. Rajaram Jaipuria, India

In the textile and clothing industry, there is a growing trend of shifting production to developing countries, especially to those in Asia, many of which are dependent on cotton imports. With abolition of bilateral quotas by the end of this year, this trend is expected to accelerate. The production trends in raw cotton are not expected to follow those in finished products, and developed countries will remain major suppliers. Thus, international trade in cotton will be rising, which makes it extremely important to ensure that cotton trade is regulated properly.

However, there are serious issues in cotton trade, with exporters and arbitration bodies complaining that arbitration awards are rarely being complied with and many importers are not respecting the sanctity of contracts. Importers, on the other hand, feel that exporters refuse to include in contracts detailed specifications and stipulations and later take refuge under these infirmities to escape liability, in the event of any default or claims. It is significant that disputes are negligible in domestic cotton transactions, in all cotton producing countries.

International trade is increasingly being driven by consumers, both in the case of commodities and products. However, in cotton, it is often the seller who decides the conditions of contracts, and in most transactions his writ ultimately runs. The fact that cotton exporters are few in number and huge in size, whereas importers are often thousands of small spinners only further compounds this position.

In order to ensure that Importers and exporters respect the sanctity of contracts, an essential requirement is to include as many details as possible with clear stipulations of terms and conditions in contracts. This will reduce disputes and help proper implementation of contracts. If contracts are not precise enough and all the aspects of transactions are not clearly specified, contracts may not protect importers and exporters properly and evenly, therefore discouraging respect for the sanctity of contracts.

Regarding arbitration, it is important to ensure that the concerns of both importers and exporters are taken into account, in order to uphold the credibility of an eventual arbitration. In the absence of credible arbitration, the implementation of arbitration awards would become difficult. It is also essential to ensure that fraud, such as fabricating, tampering or forging of transaction documents is covered in arbitration, otherwise litigation will be even more expensive

and time consuming.

However, cotton contracts today normally do not provide sufficient details to safeguard the interests of both exporters and importers. Similarly, cotton arbitration does not provide equal protection to importers and exporters. Inadequacy in the contracts leads to disputes, and inadequacy in the arbitration leads to awards remaining unimplemented.

After years of futile efforts to convince major cotton suppliers and arbitration bodies that trading conditions should take into account the genuine concerns of buyers, the mills in India have requested Government that import of cotton into the country may be permitted only on condition that any arbitration arising from the transaction will be handled by Indian Council of Arbitration (ICA), which is an internationally reputed professional arbitration body with no affiliation with either cotton or textile sectors. ICA has cooperation agreements with forty international arbitration bodies all over the world and handles arbitration for several commodities and products.

Many cotton importers are getting frustrated with the present trading conditions and it would be in the interest of suppliers to remove such frustration. Several measures that are easy to implement and equitable to both suppliers and buyers would smoothen the increasing international trade in cotton. The arbitration body should prescribe a Standard Cotton Contract Form (SCCF) which should include all elements on which disputes normally arise; it should be binding on both suppliers and buyers to ensure that every column in the SCCF is filled up in full; there should be no differentiation in arbitration/administration fees between members and non-members of the arbitration body (this is already the case with several arbitration bodies including ICA); arbitrators should include professionals from all major exporting and importing countries and there should be no stipulation that an arbitrator should necessarily be a member of the arbitration body (panels of WTO's Dispute Settlement Body always consist of professionals from outside the WTO, who do not represent any WTO members); there should be testing laboratories designated by the arbitration bodies in major exporting and importing countries, whose findings should be binding on arbitrators in disputes on quality; arbitration awards should be 'speaking orders' and should record and analyze all evidences and arguments presented before arbitrators, and the reasons for accepting or rejecting them should be part of the recommendation of the arbitrators.





2004/05 SUPPLY AND USE OF COTTON BY COUNTRY

December 20, 2004

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *
	000 Ha	Kgs/Ha	000 Metric Tons						
CANADA				8	65	65		8	0.12
CUBA	4	269	1	5	9	10		5	0.50
DOM. REP.					2	2			0.32
MEXICO	105	1,240	131	177	291	413	26	159	0.36
USA	5,351	928	4,967	763	9	1,393	2,453	1,893	0.49
Sub total	5,466	933	5,100	954	376	1,885	2,479	2,066	0.47
EL SALVADOR				5	21	21		5	0.25
GUATEMALA				5	21	21		5	0.23
HONDURAS				1	3	3		1	0.20
NICARAGUA	2	538	1	0				0	0.18
Sub total	2	538	1	11	46	47		11	0.24
ARGENTINA	390	430	168	70	25	125	20	118	0.81
BOLIVIA	5	462	2	3	4	4	2	3	0.40
BRAZIL	1,125	1,134	1,276	923	75	870	450	954	0.72
CHILE				3	11	11		3	0.28
COLOMBIA	80	762	61	27	49	110		27	0.24
ECUADOR	2	436	1	6	14	15		6	0.42
PARAGUAY	250	376	94	28		5	59	58	0.90
PERU	85	647	55	39	28	80	3	39	0.47
URUGUAY				1	4	4		1	0.15
VENEZUELA	17	340	6	14	13	17	2	14	0.74
Sub total	1,954	851	1,662	1,113	223	1,241	537	1,222	0.69
ALGERIA	0	560	0	5	22	22		5	0.24
EGYPT	303	972	295	49	50	210	100	84	0.27
MOROCCO	2	515	1	10	41	42		10	0.25
SUDAN	215	465	100	53		4	85	64	0.72
TUNISIA				6	16	16		6	0.35
Sub total	520	761	396	124	129	294	185	169	0.35
BENIN	325	441	143	50		5	105	83	0.75
BURKINA FASO	450	533	240	81		4	189	129	0.67
CAMEROON	217	507	110	30		3	77	60	0.76
CENT. AFR. REP.	10	250	3	3			5	1	0.22
CHAD	310	274	85	16		1	56	44	0.77
COTE D'IVOIRE	300	467	140	43		6	88	89	0.94
GUINEA	14	222	3	1			3	1	0.40
MADAGASCAR	18	380	7	3		4	3	3	0.47
MALI	540	435	240	150		5	211	173	0.80
NIGER	5	423	2	0		1			0.26
SENEGAL	50	420	21	7		1	17	10	0.55
TOGO	202	347	70	24			58	35	0.61
Sub total	2,441	436	1,064	407		29	813	629	0.75
ANGOLA	2	285	1	0		1		0	0.14
ETHIOPIA	113	177	20	12		13	7	12	0.62
GHANA	20	275	6	4		7		2	0.32
KENYA	50	97	5	4	9	15		3	0.19
MOZAMBIQUE	230	115	26	16		2	22	18	0.74
NIGERIA	790	127	100	18	10	65	30	33	0.35
SOUTH AFRICA	40	510	20	18	42	62		18	0.29
TANZANIA	420	250	105	88		16	98	80	0.70
UGANDA	120	308	37	14		1	27	23	0.84
CONGO, DR	11	265	3	2	6	9		2	0.25
ZAMBIA	180	273	49	33		14	34	34	0.69
ZIMBABWE	360	327	118	73		25	84	82	0.76
Sub total	2,398	211	507	295	86	255	313	319	0.56
BULGARIA	9	257	2	9	17	19	1	9	0.45
CZECH REP.				26	47	47	1	25	0.52
SLOVAK REP.				4	11	11		4	0.32
HUNGARY				4	11	11		4	0.37
POLAND				10	50	50		10	0.20
ROMANIA				5	18	18		5	0.26
FORMER YUGOSLAVIA				6	14	14		6	0.44
Sub total	9	257	2	64	172	173	2	63	0.36


2004/05 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) December 20, 2004

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *
	000 Ha	Kgs/Ha	000 Metric Tons						
NORWAY				0	1	1		0	0.32
SWITZERLAND				2	18	18	1	2	0.13
Sub total				3	19	19	1	3	0.15
AUSTRIA				6	22	22		6	0.28
BELGIUM				11	36	23	13	11	0.31
FRANCE				8	55	50	5	8	0.15
GERMANY				3	90	71	15	6	0.07
GREECE	370	1,041	385	77	5	110	269	88	0.23
IRELAND				0	1	1		0	0.24
ITALY				33	175	170	5	33	0.19
NETHERLANDS				1	3		3	1	0.38
PORTUGAL	0	904	0	16	80	80		17	0.21
SPAIN	90	1,218	110	35	15	71	48	40	0.34
SWEDEN				1	6	6		1	0.17
UNITED KINGDOM				0	0	0		0	
Sub total	461	1,075	495	192	488	604	359	212	0.22
AZERBAIJAN	78	618	48	12		5	38	18	0.42
BELARUS				4	12	12		4	0.31
ESTONIA				7	20	20	0	7	0.37
KAZAKHSTAN	216	671	145	8		8	115	29	0.24
KYRGYZSTAN	40	675	27	8	3	3	22	13	0.54
LATVIA				8	16	4	12	8	0.49
LITHUANIA				2	4	4		2	0.35
MOLDOVA				1	3	3		1	0.36
RUSSIA	2	501	1	26	295	284		38	0.13
TAJIKISTAN	293	604	177	51		20	135	73	0.47
TURKMENISTAN	525	410	215	51		88	105	72	0.37
UKRAINE				4	16	11	5	4	0.29
UZBEKISTAN	1,419	744	1,056	210	1	270	722	275	0.28
Sub total	2,573	649	1,670	392	369	733	1,154	545	0.29
CHINA (MAINLAND)	5,650	1,115	6,300	1,328	1,800	8,000	35	1,393	0.17
CHINA (TAIWAN)				71	236	236		71	0.30
CHINA (HONG KONG)				18	58	50	8	18	0.30
Sub total	5,650	1,115	6,300	1,417	2,094	8,286	43	1,482	0.18
AUSTRALIA	315	1,667	525	186		12	365	333	0.88
INDONESIA	12	534	6	61	478	485		61	0.13
JAPAN				51	172	172		51	0.30
KOREA, D.R.	19	534	10	6	5	15		6	0.41
KOREA, REP.				46	276	276		46	0.17
MALAYSIA				14	38	38		14	0.37
PHILIPPINES	5	436	2	6	25	27		6	0.20
SINGAPORE				1	3		3	1	0.24
THAILAND	33	400	13	104	405	415	3	104	0.25
VIETNAM	35	354	12	22	110	120		25	0.21
Sub total	428	1,347	576	497	1,511	1,566	371	647	0.33
AFGHANISTAN	21	367	8	5		4	4	5	0.63
BANGLADESH	50	288	14	91	348	362		91	0.25
INDIA	9,086	365	3,315	899	150	3,100	150	1,114	0.34
MYANMAR	290	206	60	34		46	13	34	0.57
PAKISTAN	3,210	688	2,210	629	137	2,200	125	650	0.28
SRI LANKA				8	28	28		8	0.27
Sub total	12,661	443	5,608	1,667	665	5,743	292	1,903	0.32
IRAN	175	771	135	56		115	10	66	0.53
IRAQ	21	350	7	1	5	13		1	0.09
ISRAEL	14	1,769	25	7	1	1	25	7	0.25
SYRIA	211	1,519	320	105		150	124	150	0.55
TURKEY	676	1,331	900	500	550	1,400	50	500	0.34
Sub total	1,123	1,243	1,397	676	586	1,712	215	732	0.38
WORLD TOTAL	35,686	694	24,778	7,812	6,764	22,586	6,764	10,004	0.44

* Ending stocks divided by consumption plus exports. Subtotals and total include countries not shown.



2005/06 SUPPLY AND USE OF COTTON BY COUNTRY

December 20, 2004

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *
	000 Ha	Kgs/Ha	000 Metric Tons						
CANADA				8	64	64		8	0.13
CUBA	4	269	1	5	9	10		5	0.50
DOM. REP.					2	2			0.31
MEXICO	150	1,050	157	155	242	372	49	133	0.32
USA	4,856	782	3,800	1,764	9	1,290	2,283	2,001	0.56
Sub total	5,015	789	3,960	1,933	325	1,739	2,332	2,148	0.53
EL SALVADOR				5	21	21		5	0.25
GUATEMALA				5	21	21		5	0.24
HONDURAS				1	3	3		1	0.20
NICARAGUA	2	538	1	0		1		0	0.18
Sub total	2	538	1	11	45	46		11	0.24
ARGENTINA	300	437	131	107	25	128	40	96	0.57
BOLIVIA	5	462	2	3	4	4	2	3	0.40
BRAZIL	1,250	1,140	1,425	1,022	50	865	500	1,132	0.83
CHILE				3	11	11		3	0.28
COLOMBIA	72	762	55	27	56	111		27	0.24
ECUADOR	1	436	1	6	15	15		6	0.42
PARAGUAY	225	378	85	58		5	86	52	0.57
PERU	77	650	50	39	36	80	5	40	0.47
URUGUAY				1	4	4		1	0.15
VENEZUELA	15	340	5	14	14	17	2	14	0.74
Sub total	1,945	901	1,754	1,279	215	1,240	635	1,372	0.73
ALGERIA	0	560	0	5	22	22		5	0.24
EGYPT	273	913	249	84	75	210	116	82	0.25
MOROCCO	2	515	1	10	41	42		10	0.25
SUDAN	193	496	96	56		5	91	56	0.58
TUNISIA				6	16	16		6	0.35
Sub total	469	739	347	161	155	296	208	160	0.32
BENIN	319	443	141	66		5	142	60	0.41
BURKINA FASO	441	451	199	112		4	217	90	0.41
CAMEROON	213	489	104	55		3	110	47	0.42
CENT. AFR. REP.	10	251	3	1			3	1	0.40
CHAD	280	233	65	31		1	70	25	0.35
COTE D'IVOIRE	300	547	164	61		10	150	66	0.41
GUINEA	13	223	3	1			3	1	0.40
MADAGASCAR	22	382	8	3		5	3	3	0.39
MALI	548	436	239	164		7	245	151	0.60
NIGER	8	425	3	0		1			0.38
SENEGAL	49	483	24	8		1	22	8	0.36
TOGO	189	391	74	32			74	31	0.42
Sub total	2,392	429	1,027	535		36	1,041	485	0.45
ANGOLA	2	286	1	0		1		0	0.12
ETHIOPIA	111	178	20	12		13	7	12	0.60
GHANA	20	276	5	2	2	7		3	0.37
KENYA	49	97	5	3	11	15		3	0.23
MOZAMBIQUE	225	115	26	18		2	24	18	0.68
NIGERIA	383	223	85	33	10	65	30	34	0.35
SOUTH AFRICA	39	505	20	27	41	61		27	0.45
TANZANIA	412	187	77	51		16	62	50	0.65
UGANDA	221	134	30	22		1	32	18	0.55
CONGO, DR	11	267	3	2	6	9		2	0.25
ZAMBIA	176	274	48	34		15	34	33	0.66
ZIMBABWE	382	336	128	89		27	103	88	0.68
Sub total	2,091	222	464	306	90	257	303	299	0.54
BULGARIA	9	257	2	9	17	18	1	9	0.46
CZECH REP.				25	45	45	1	24	0.52
SLOVAK REP.				4	11	11		4	0.33
HUNGARY				4	11	11		4	0.38
POLAND				10	48	48		10	0.20
ROMANIA				5	17	17		5	0.27
FORMER YUGOSLAVIA				6	14	14		6	0.46
Sub total	9	257	2	63	167	168	2	62	0.37


2005/06 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) December 20, 2004

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *
	000 Ha	Kgs/Ha			000 Metric Tons				Ratio
NORWAY				0	1	1		0	0.34
SWITZERLAND				2	17	17	1	2	0.14
Sub total				3	18	18	1	3	0.15
AUSTRIA				6	21	21		6	0.29
BELGIUM				11	27	22	5	11	0.40
FRANCE				8	53	48	5	8	0.15
GERMANY				6	83	68	16	6	0.07
GREECE	363	1,007	365	88	5	100	259	99	0.27
IRELAND				0	1	1		0	0.26
ITALY				33	167	162	5	33	0.20
NETHERLANDS				1	3		3	1	0.38
PORTUGAL	0	904	0	17	76	76		17	0.22
SPAIN	88	1,126	100	40	15	68	52	35	0.29
SWEDEN				1	5	5		1	0.18
UNITED KINGDOM				0	0	0		0	
Sub total	451	1,030	465	212	457	570	346	217	0.24
AZERBAIJAN	78	461	36	18		5	31	18	0.50
BELARUS				4	12	12		4	0.31
ESTONIA				7	20	20	0	7	0.37
KAZAKHSTAN	212	683	145	29		8	131	35	0.25
KYRGYZSTAN	39	842	33	13	3	3	33	13	0.37
LATVIA				8	16	4	12	8	0.49
LITHUANIA				2	4	4		2	0.35
MOLDOVA				1	3	3		1	0.36
RUSSIA	1	501	1	38	287	287		39	0.13
TAJKISTAN	287	523	150	73		21	124	79	0.54
TURKMENISTAN	515	372	191	72		90	96	78	0.42
UKRAINE				4	16	11	5	4	0.28
UZBEKISTAN	1,400	706	989	275	1	290	700	275	0.28
Sub total	2,533	610	1,546	545	361	758	1,132	562	0.30
CHINA (MAINLAND)	5,100	1,137	5,800	1,393	2,500	8,350	35	1,309	0.16
CHINA (TAIWAN)				71	224	224		71	0.32
CHINA (HONG KONG)				18	51	43	8	18	0.35
Sub total	5,100	1,137	5,800	1,482	2,775	8,616	43	1,398	0.16
AUSTRALIA	350	1,675	586	333		11	546	363	0.65
INDONESIA	12	534	6	61	488	494		61	0.12
JAPAN				51	167	167		51	0.30
KOREA, D.R.	19	534	10	6	5	15		6	0.42
KOREA, REP.				46	262	262		46	0.18
MALAYSIA				14	37	37		14	0.38
PHILIPPINES	10	436	4	6	22	26		6	0.21
SINGAPORE				1	3		3	1	0.24
THAILAND	32	400	13	104	410	419	4	104	0.25
VIETNAM	39	354	14	25	112	126		25	0.20
Sub total	470	1,362	640	647	1,506	1,564	553	677	0.32
AFGHANISTAN	22	367	8	5		4	4	5	0.60
BANGLADESH	50	288	14	91	348	362		91	0.25
INDIA	8,000	367	2,933	1,114	258	3,193	75	1,038	0.32
MYANMAR	284	206	59	34		47	11	34	0.58
PAKISTAN	3,000	613	1,840	650	501	2,266	75	650	0.28
SRI LANKA				8	29	29		8	0.27
Sub total	11,360	427	4,855	1,903	1,138	5,904	166	1,827	0.30
IRAN	150	775	116	66		115	5	62	0.52
IRAQ	20	350	7	1	6	13		1	0.09
ISRAEL	13	1,778	23	7	1	1	23	7	0.27
SYRIA	210	1,281	269	150		158	163	99	0.31
TURKEY	675	1,262	852	500	612	1,414	50	500	0.34
Sub total	1,093	1,167	1,276	732	649	1,734	245	676	0.34
WORLD TOTAL	32,918	675	22,208	10,004	7,866	23,009	7,866	9,203	0.40

* Ending stocks divided by consumption plus exports. Subtotals and total include countries not shown.

INTERNATIONAL COTTON ADVISORY COMMITTEE

The International Cotton Advisory Committee is an association of governments having an interest in the production, export, import and consumption of cotton. It is an organization designed to promote cooperation in the solution of cotton problems, particularly those of international scope and significance.

The functions of the International Cotton Advisory Committee, as defined in the Rules and Regulations are

- To observe and keep in close touch with developments affecting the world cotton situation
- To collect and disseminate complete, authentic and timely statistics on world cotton production, trade, consumption, stocks and prices
- To suggest, as and when advisable, to the governments represented, any measures the Advisory Committee considers suitable and practicable for the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy
- To be the forum for international discussions on matters related to cotton prices

Membership of the Committee, which represents the bulk of the world's production, trade and consumption of cotton, now comprises the following forty-one governments:

Argentina	Egypt	Mali	Switzerland
Australia	Finland	Netherlands	Syria
Belgium	France	Pakistan	Tanzania
Bolivia	Germany	Paraguay	Togo
Brazil	Greece	Philippines	Turkey
Burkina Faso	India	Poland	Uganda
Cameroon	Iran	Russia	United Kingdom
Chad	Israel	South Africa	United States of America
China (Taiwan)	Italy	Spain	Uzbekistan
Colombia	Korea, Rep. of	Sudan	Zimbabwe
Côte d'Ivoire			

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