INTERNATIONAL COTTON ADVISORY COMMITTEE

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WORLD EXTRA-FINE COTTON OUTLOOK*

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Overview

World production of all cotton is expected to climb about 9% from 92 million bales this season to 101 million in 2004/05, while consumption is forecast about unchanged at 96 million bales. Consequently, stocks of all cotton will rise. In addition, imports by China (Mainland) are expected to decline because domestic production will respond to the current level of high prices. As a result, the average Cotlook A Index is expected to fall from an estimated 71 cents this season to about 60 cents per pound next season. Therefore, unless the premium for extra-fine cotton over the A Index strengthens substantially, extra-fine cotton prices are likely to decline in 2004/05.

The premium for American Pima over the Cotlook A Index averaged about 90% during the first half of this season. Production and ending stocks of extra-fine cotton are forecast to rise faster than production and stocks of all cotton in 2004/05. Therefore, the extra-fine premium is expected to narrow. Assuming that the average quote in Cotton Outlook for American Pima falls to 80% over the A Index and the A Index falls to an average of 60 cents per pound, the 2004/05 average quote in Cotton Outlook for American Pima would be around $1.10. If the premium for American Pima drops to just 60% of the Cotlook A Index, the average quote for American Pima would be less than $1. Quotes for Egyptian and other extra-fine cottons will also decline. As of February 13, the average quote for American Pima in Cotton Outlook so far this season has been $1.33 per pound.

World production of extra-fine cotton is forecast at 3.1 million bales next season, up about 600,000 bales from this season. But consumption in producing countries is forecast to rise to 1.7 million bales in 2004/05, a change of about 60,000 bales. World exports of extra-fine cotton are estimated at 1.8 million bales next season, about unchanged from 2003/04. Ending stocks of extra-fine cotton in the producing countries are estimated at 900,000 bales this season and 1.1 million bales next. Extra-fine cotton accounts for about 3% of the world cotton production and about 7% of the value of world production.

World Demand Stronger

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* Paper presented to the 5th U.S. Pima Industry Seminar, February 19-20, 2004, San Diego, California. The International Cotton Advisory Committee is an association of 42 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*, $160 per year. A monthly outlook by fax is also available for $300 per year or on the Internet for $250 per year.

Disappearance (mill use in the producing countries plus exports) of extra-fine cotton is price sensitive because of substitution with upland cotton when the premium for extra-fine cotton declines. Lower prices also encourage textile mills to raise stocks of cotton by several months worth of use. Consequently, the relatively low prices for extra-fine cotton in 2001/02 and 2002/03 led to increased disappearance, while the rise in prices in 2003/04 is leading to lower use. With average prices expected to fall during 2004/05, there may be a rise in disappearance of extra-fine cotton. An encouraging development in the extra-fine market is that the slide in total use that occurred during the first half of the 1990s seems to have ended, and even with the rise in average prices in 2003/04, total use of extra-fine cotton remains higher than in the 1990s.

World production of extra-fine cotton is forecast to increase by about 20% in 2004/05 in response to the higher prices experienced in 2003/04. However, beginning stocks are lower, and therefore the total supply available in 2004/05 is estimated about the same as in 2003/04. Nevertheless, stocks of extra-fine cotton in the producing countries are expected to rise during 2004/05.

The rise in average prices this season is boosting the value of extra-fine cotton disappearance (estimated as total disappearance multiplied by the average Cotlook quote for American Pima) to an estimated $2.2 billion this season, but a decline in prices will probably mean that the value of world sales of extra-fine cotton will decline to less than $2 billion during 2004/05. Nevertheless, the value of disappearance will be greater than in the late 1990s, indicating an underlying improvement in the structure of demand for extra-fine cotton, or at least a stabilization after more than a decade of decline.

Production Expanding

Production in Egypt is estimated at 860,000 bales this season and 1.3 million next season. Production of extra long staple varieties is forecast to rise by more than 100,000 bales, and production of the long staple varieties is estimated up by nearly 300,000 bales. Egyptian area is estimated at more than 700,000 acres or 300,000 hectares, a rise of one-third from 2003. Quotes in Cotton Outlook for Egyptian cotton are approximately 40% higher this year than during 2003/04, providing substantial incentive to plant. However, the decline in the value of the Egyptian pound is encouraging increased exports of all commodities, including rice and maize, thus providing competition for area. An area of 300,000 hectares for cotton in Egypt will be equal to area during 2001/02 and 2002/03 and in most years of the 1990s. The yield in Egypt is forecast at 820 pounds per acre, about 70 pounds per acre more than this year but lower than in the three previous years.

The quote in Cotton Outlook for U.S. Pima is also up by nearly 40% this season, and the premium for Pima over the A Index rose from 1.7 last season to 1.9 during the first half of this season. Accordingly, U.S. planted area for Pima is estimated at about 210,000 acres based on the prospective plantings survey conducted by the National Cotton Council, compared with 178,000 acres last season. U.S. Pima production is estimated at 530,000 bales, about 100,000 more than this season.

Area devoted to Pima in the U.S. seems to be slipping over the long run due to rising costs for water and land and competition with other crops. During 1996/97, the previous season in which price quotes for Pima were about as high as in 2003/04, U.S. planted area was 258,000 acres, including 93,000 acres in Arizona, New Mexico and Texas. Pima area was only 29,000 acres in those states this season and is expected to decline in 2004/05. The rise in Pima area in California between 1996/97 and 2004/05 is estimated at just 20,000 acres. The U.S. Pima yield in 2004/05 is estimated at 1,200 pounds per acre. The U.S. yield rose from around 900 pounds per acre to about 1,200 on average over the past decade, helping to sustain production even though area

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SUPPLY OF EXTRA-FINE COTTON *

February 24, 2004

Years Beginning August 1

	1996	1997	1998	1999	2000	2001	2002	2003 Est.	2004 Proj.	2005 Proj.
	Thousand 480-Lb. Bales									
BEGINNING STOCKS*										
CHINA (MAINLAND)	30	44	41	42	149	137	114	54	53	73
EGYPT, ELS	101	200	375	440	293	154	115	111	45	90
EGYPT, L. STPL.	495	853	857	466	362	384	645	408	221	255
INDIA	190	78	106	223	214	209	104	101	101	147
AUSTRALIA, ISRAEL & PERU	40	106	101	68	70	75	84	77	42	49
SUDAN	108	100	108	80	80	91	162	186	117	118
TAJIKISTAN	26	26	20	20	20	20	32	57	38	28
TURKMENISTAN	23	8	8	8	8	8	22	36	36	27
UNITED STATES	66	51	65	103	250	121	328	245	119	114
UZBEKISTAN	64	41	41	16	16	7	14	26	26	11
OTHER PRODUCERS	61	61	56	55	50	50	47	49	46	40
TOTAL	**1,205**	**1,567**	**1,778**	**1,521**	**1,512**	**1,256**	**1,667**	**1,350**	**844**	**952**
PRODUCTION										
CHINA (MAINLAND)	69	69	139	253	230	344	308	322	354	
EGYPT, ELS	253	335	259	119	142	235	308	242	375	
EGYPT, L. STPL.	1,315	1,218	780	936	812	1,203	1,017	622	884	
INDIA	291	505	528	459	390	367	299	367	386	
AUSTRALIA, ISRAEL & PERU	230	118	60	111	112	155	99	53	96	
SUDAN	104	82	59	53	85	122	208	207	276	
TAJIKISTAN	87	60	47	32	52	82	153	87	86	
TURKMENISTAN	9	78	55	78	92	138	92	115	95	
UNITED STATES	529	548	442	674	389	700	678	429	528	
UZBEKISTAN	83	115	41	55	51	67	76	73	41	
OTHERS	22	21	20	20	18	18	18	20	20	
TOTAL	**2,992**	**3,148**	**2,431**	**2,791**	**2,373**	**3,432**	**3,254**	**2,537**	**3,142**	
CONSUMPTION*										
CHINA (MAINLAND)	92	83	101	119	184	207	230	253	266	
EGYPT, ELS	70	69	74	65	81	64	64	55	55	
EGYPT, L. STPL.	841	993	783	596	540	603	767	533	574	
INDIA	565	505	510	533	505	574	586	597	615	
AUSTRALIA, ISRAEL & PERU	69	59	58	51	51	57	46	46	37	
SUDAN	7	4	0	0	1	2	0	0	0	
TAJIKISTAN	24	23	18	14	14	14	14	14	14	
TURKMENISTAN	9	14	9	9	9	9	5	5	5	
UNITED STATES	106	115	147	145	125	104	103	70	63	
UZBEKISTAN	46	55	32	32	23	23	18	18	18	
OTHER PRODUCERS	27	28	29	30	28	31	28	34	34	
TOTAL	**1,857**	**1,947**	**1,762**	**1,594**	**1,561**	**1,688**	**1,860**	**1,625**	**1,681**	
EXPORTS										
CHINA (MAINLAND)	0	0	46	55	69	184	230	230	230	
EGYPT, ELS	83	89	109	178	185	156	248	253	276	
EGYPT, L. STPL.	130	230	389	269	176	230	487	276	276	
INDIA	40	9	3	2	0	9	0	0	0	
AUSTRALIA, ISRAEL & PERU	109	95	67	72	57	96	89	62	67	
SUDAN	42	70	69	53	40	41	184	276	276	
TAJIKISTAN	63	43	28	18	39	55	115	92	83	
TURKMENISTAN	15	64	46	69	83	115	73	110	100	
UNITED STATES	466	440	288	447	437	397	634	525	500	
UZBEKISTAN	60	60	34	23	37	37	46	55	37	
OTHER PRODUCERS	10	6	6	6	6	5	5	6	7	
TOTAL	**1,018**	**1,106**	**1,085**	**1,193**	**1,127**	**1,325**	**2,111**	**1,884**	**1,850**	
TOTAL IMPORTS 1/	159	205	259	256	261	289	666	650	681	
STOCKS ADJUSTMENT 2/	87	(89)	(99)	(270)	(201)	(296)	(265)	(184)	(184)	
ENDSTOCKS/USE, EGYPT	**0.94**	**0.89**	**0.67**	**0.59**	**0.55**	**0.72**	**0.33**	**0.24**	**0.29**	
ENDSTOCKS/USE, USA	**0.09**	**0.12**	**0.24**	**0.42**	**0.22**	**0.65**	**0.33**	**0.20**	**0.20**	
ENDSTOCKS/USE, TOTAL	**0.55**	**0.58**	**0.53**	**0.54**	**0.47**	**0.55**	**0.34**	**0.24**	**0.27**	
COTLOOK QUOTE, AM. PIMA	**126**	**118**	**111**	**101**	**114**	**98**	**96**	**133 ****		
COTLOOK QUOTE, GIZA 70	**161**	**142**	**125**	**113**	**122**	**109**	**100**	**142 ****		
RATIO: AM. PIMA/GIZA 70	**0.78**	**0.84**	**0.89**	**0.89**	**0.93**	**0.90**	**0.96**	**0.94 ****		
RATIO: AM. PIMA/A INDEX	**1.60**	**1.64**	**1.89**	**1.91**	**1.99**	**2.34**	**1.72**	**1.87 ****		

* Producing countries only. **Through February 19, 2004

1/ Imports of extra-fine cotton by producing countries.

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

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SUPPLY OF EXTRA-FINE COTTON *

February 24, 2004

Years Beginning August 1

	1996	1997	1998	1999	2000	2001	2002	2003 Est.	2004 Proj.	2005 Proj.
	Thousand Metric Tons									
BEGINNING STOCKS*										
CHINA (MAINLAND)	6.6	9.6	8.9	9.2	32.5	29.9	25	12	12	16
EGYPT, ELS	22.0	43.5	81.7	95.7	63.7	33.5	25	24	10	20
EGYPT, L. STPL.	107.9	185.7	186.7	101.5	78.8	83.6	140	89	48	55
INDIA	41.3	17.0	23.0	48.5	46.5	45.5	23	22	22	32
AUSTRALIA, ISRAEL & PERU	8.7	23.0	22.0	14.8	15.3	16.4	18	17	9	11
SUDAN	23.5	21.8	23.4	17.4	17.4	19.8	35	41	26	26
TAJIKISTAN	5.6	5.6	4.3	4.3	4.3	4.3	7	12	8	6
TURKMENISTAN	5.0	1.8	1.8	1.8	1.8	1.8	5	8	8	6
UNITED STATES	14.4	11.0	14.2	22.4	54.4	26.3	71	53	26	25
UZBEKISTAN	14.0	9.0	9.0	3.6	3.6	1.6	3	6	6	2
OTHER PRODUCERS	13.3	13.3	12.2	12.0	10.9	10.8	10	11	10	9
TOTAL	**262.3**	**341.2**	**387.0**	**331.2**	**329.2**	**273.4**	**363**	**294**	**184**	**207**
PRODUCTION										
CHINA (MAINLAND)	15.0	15.0	30.3	55.0	50.0	75.0	67	70	77	
EGYPT, ELS	55.1	72.8	56.4	25.9	31.0	51.3	67	53	82	
EGYPT, L. STPL.	286.4	265.1	169.9	203.8	176.8	261.9	221	135	192	
INDIA	63.4	110.0	115.0	100.0	85.0	80.0	65	80	84	
AUSTRALIA, ISRAEL & PERU	50.0	25.8	13.1	24.2	24.4	33.9	21	12	21	
SUDAN	22.7	17.8	12.8	11.6	18.5	26.5	45	45	60	
TAJIKISTAN	19.0	13.1	10.2	7.0	11.4	17.8	33	19	19	
TURKMENISTAN	2.0	17.0	12.0	17.0	20.0	30.0	20	25	21	
UNITED STATES	115.1	119.3	96.2	146.8	84.7	152.5	148	93	115	
UZBEKISTAN	18.0	25.0	9.0	12.0	11.0	14.5	17	16	9	
OTHERS	4.7	4.5	4.4	4.4	3.9	3.9	4	4	4	
TOTAL	**651.4**	**685.4**	**529.2**	**607.7**	**516.7**	**747.2**	**708**	**552**	**684**	
CONSUMPTION*										
CHINA (MAINLAND)	20.0	18.0	22.0	26.0	40.0	45.0	50	55	58	
EGYPT, ELS	15.3	15.0	16.2	14.2	17.7	14.0	14	12	12	
EGYPT, L. STPL.	183.2	216.1	170.5	129.8	117.6	131.3	167	116	125	
INDIA	123.0	110.0	111.0	116.0	110.0	125.0	128	130	134	
AUSTRALIA, ISRAEL & PERU	15.0	12.9	12.7	11.0	11.0	12.5	10	10	8	
SUDAN	1.5	0.9	0.0	0.0	0.3	0.5	0	0	0	
TAJIKISTAN	5.3	5.0	4.0	3.0	3.0	3.0	3	3	3	
TURKMENISTAN	2.0	3.0	2.0	2.0	2.0	2.0	1	1	1	
UNITED STATES	23.1	25.0	32.0	31.6	27.2	22.7	22	15	14	
UZBEKISTAN	10.0	12.0	7.0	7.0	5.0	5.0	4	4	4	
OTHER PRODUCERS	5.9	6.1	6.2	6.4	6.1	6.7	6	7	7	
TOTAL	**404.4**	**424.0**	**383.6**	**347.1**	**340.0**	**367.6**	**405**	**354**	**366**	
EXPORTS										
CHINA (MAINLAND)	0.0	0.0	10.0	12.0	15.0	40.1	50	50	50	
EGYPT, ELS	18.1	19.5	23.8	38.8	40.3	34.0	54	55	60	
EGYPT, L. STPL.	28.4	50.0	84.7	58.5	38.4	50.0	106	60	60	
INDIA	8.7	2.0	0.6	0.5	0.0	2.0	0	0	0	
AUSTRALIA, ISRAEL & PERU	23.8	20.6	14.6	15.7	12.3	20.9	19	14	15	
SUDAN	9.1	15.3	15.0	11.6	8.6	9.0	40	60	60	
TAJIKISTAN	13.7	9.4	6.2	4.0	8.4	12.0	25	20	18	
TURKMENISTAN	3.3	14.0	10.0	15.0	18.0	25.0	16	24	22	
UNITED STATES	101.5	95.8	62.7	97.3	95.1	86.4	138	114	109	
UZBEKISTAN	13.0	13.0	7.4	5.0	8.0	8.0	10	12	8	
OTHER PRODUCERS	2.1	1.3	1.3	1.2	1.2	1.2	1	1	2	
TOTAL	**221.5**	**240.9**	**236.3**	**259.7**	**245.4**	**288.5**	**460**	**410**	**403**	
TOTAL IMPORTS 1/	34.6	44.7	56.4	55.8	57	63	145	142	148	
STOCKS ADJUSTMENT 2/	18.8	-19.5	-21.5	-58.7	-44	-64	-58	-40	-40	
ENDSTOCKS/USE, EGYPT	**0.94**	**0.89**	**0.67**	**0.59**	**0.55**	**0.72**	**0.33**	**0.24**	**0.29**	
ENDSTOCKS/USE, USA	**0.09**	**0.12**	**0.24**	**0.42**	**0.22**	**0.65**	**0.33**	**0.20**	**0.20**	
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**Through February 19, 2004

1/ Imports of extra-fine cotton by producing countries.

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

tended lower, but most of the increase in the average yield reflected a declining proportion of area in lower yielding states. Yields in California were about the same in the early 1990s as now.

Other producing countries are expected to expand extra-fine cotton production in 2004/05. Production in China (Mainland) is estimated at 350,000 bales, an increase of 30,000 bales from this season and about the same as production in 2001/02. Total production in Xinjiang is estimated at more than 7 million bales, so the potential exists for continued expansion of extra-fine varieties, although little is really known about the structure of production and agronomic conditions in Western China (Mainland).

Production of Barakat in Sudan is estimated at 280,000 bales in 2004/05, an increase of about 70,000 bales from this season and more than double production in 2001/02. Total area in Sudan seems headed upwards, from about 420,000 acres in 2000/01 to an estimated 470,000 acres in 2004/05. But most of the increase in Barakat production represents a shift in area from other varieties. Area devoted to Barakat represented 20% of Sudan cotton area in 2000 but is estimated at 60% in 2004.

Production of the Valaraxmi and DCH-32 varieties in South India are estimated as a proportion of total production in India and are not expected to change much in 2004/05 at about 390,000 bales. Production in Central Asia is tending lower and is estimated at 275,000 bales in 2003/04 and 225,000 in 2004/05. Production of Pima in Australia, Israel and Peru combined is forecast to rise from 50,000 bales this season to 100,000 bales in 2004/05, with the increase mostly in Israel.

Consumption in Producing Countries Stable

Mill use of extra-fine cotton in the producing countries is falling by more than 10% to an estimated 1.6 million bales in 2003/04, but lower prices in 2004/05 may lead to a modest increase. Extra-fine cotton mill use in Egypt is declining from 830,000 bales last season to 590,000 this season, even as total mill use of all cotton in Egypt is climbing. Egypt is making strides toward market liberalization, including allowing the import and export of cotton based on relative value. Egyptian mill use of extra-fine cotton is estimated at 630,000 bales in 2004/05.

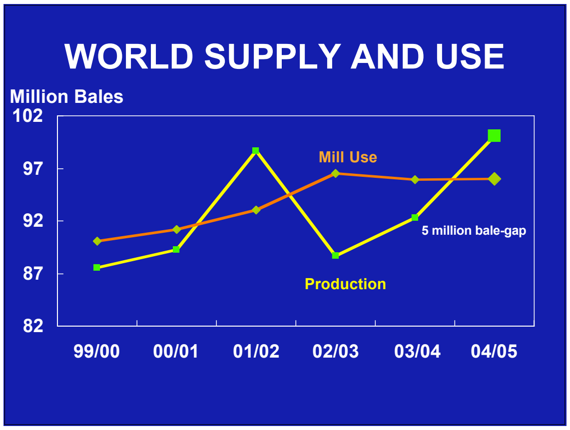
Mill use of extra-fine varieties in India is estimated to be rising by 2% this season and 3% next season as the Indian industry works to raise yarn quality. Total mill use in India is rising an estimated 1% this season and in 2004/05. Imports of extra-fine cotton are estimated by working backwards from export statistics, and imports by India are estimated at 240,000 bales in 2003/04. Only Italy imports more.

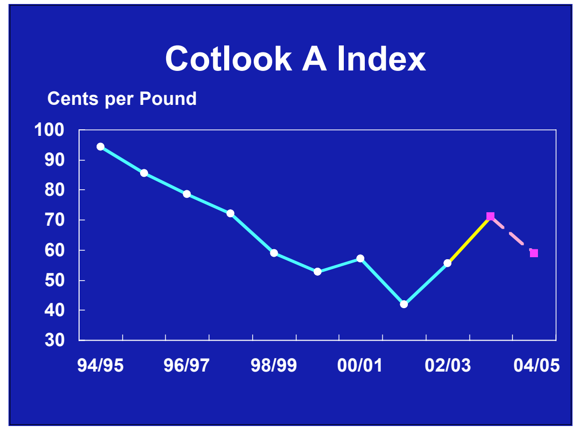
As in India, mill use of all cotton is rising in China (Mainland) and use of extra-fine cotton is assumed higher in 2004/05. Even China (Mainland) is importing extra-fine cotton, and imports this season are estimated at 70,000 bales.

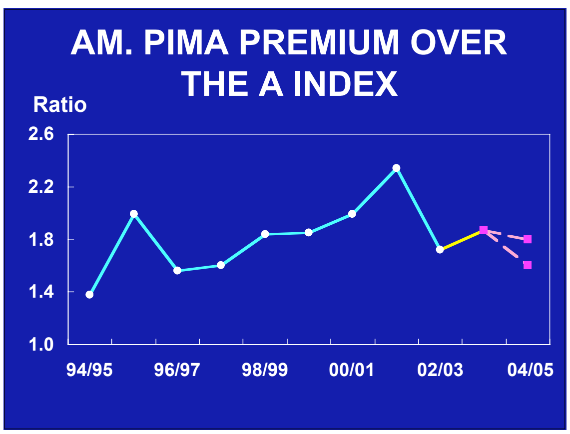
U.S. mill use of all cotton is falling an estimated 15% this season, and mill use of Pima alone is estimated down 30% based on monthly data. A further decline of 10% is expected next season. Data on retail sales of extra-fine cotton products in the USA are not available, but it seems likely that increased sales are coming from rising imports of textiles and apparel.

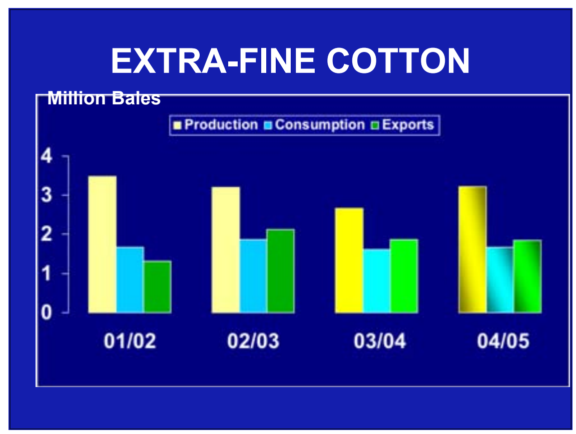
Exports Higher Since Late-90s

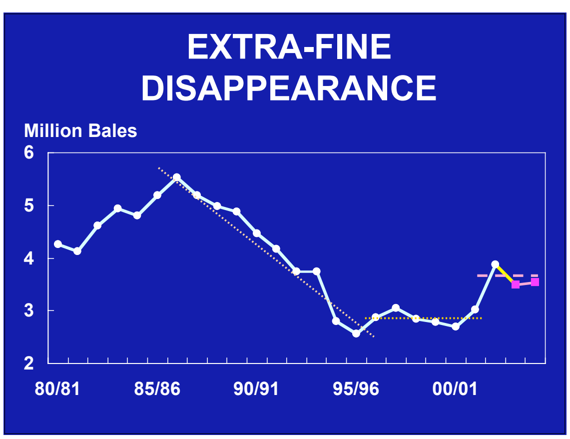
World exports of extra-fine cotton were about 1.5 million bales in the mid 1980s and 1.8 million bales immediately after the breakup of the USSR, but world trade in extra-fine cotton fell to about 1.1 million bales per year in the late-1990s. The declines in average extra-fine cotton prices in 2001/02 and 2002/03 were accompanied by increases in exports to 1.3 million bales and 2.1

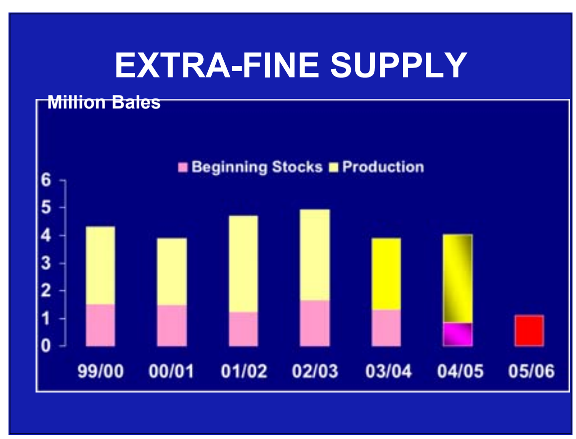

WORLD SUPPLY AND USE
Million Bales
102
97
92
87
82
Mill Use
5 million bale-gap
Production
99/00
00/01
01/02
02/03
03/04
04/05


Cotlook A Index
Cents per Pound
100
90
80
70
60
50
40
30
94/95
96/97
98/99
00/01
02/03
04/05


AM. PIMA PREMIUM OVER THE A INDEX
Ratio
2.6
2.2
1.8
1.4
1.0
94/95
96/97
98/99
00/01
02/03
04/05


EXTRA-FINE COTTON
Million Bales
Production
Consumption
Exports
4
3
2
1
0
01/02
02/03
03/04
04/05


EXTRA-FINE DISAPPEARANCE
Million Bales
6
5
4
3
2
80/81
85/86
90/91
95/96
00/01

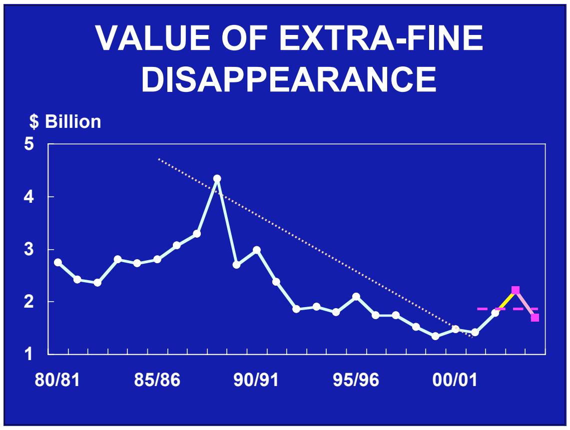

EXTRA-FINE SUPPLY
Million Bales
Beginning Stocks
Production
6
5
4
3
2
1
0
99/00
00/01
01/02
02/03
03/04
04/05
05/06

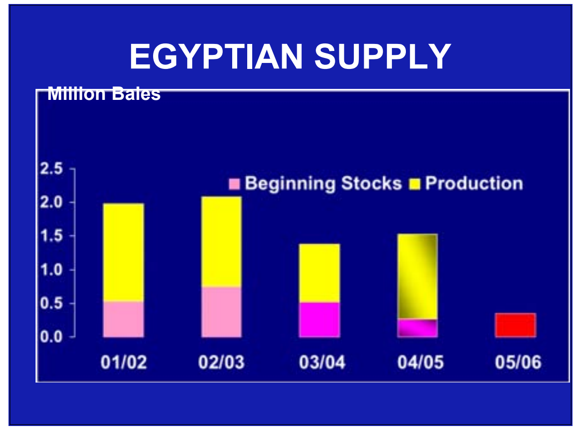
EXTRA-FINE COTTON EXPORTS BY COUNTRY OF DESTINATION *

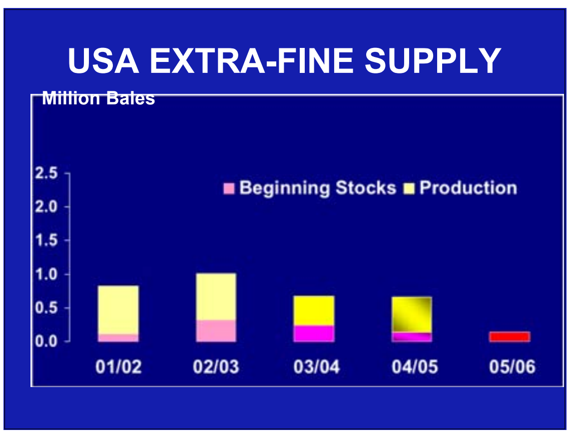
Years Beginning August 1

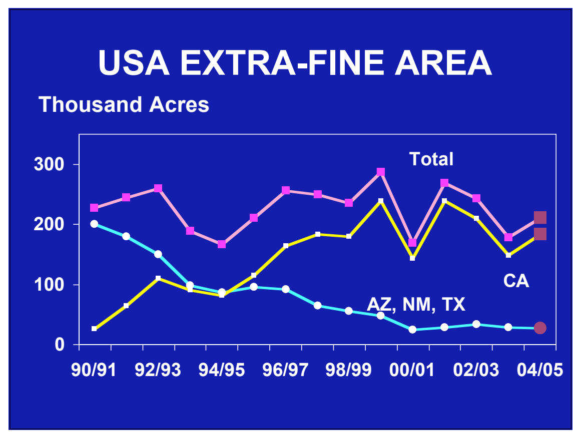
	1996	1997	1998	1999	2000	2001	2002 Prel.	2003 Est.
	Thousand Metric Tons							
ALBANIA								
ALGERIA	0.4	0.3						
ARGENTINA								
AUSTRIA	0.0	0.1	0.4	0.4			1.0	0.7
BANGLADESH	10.3	12.5	10.3	11.2	9.2	7.1	11.1	10.6
BELGIUM	3.3	1.6	1.9	2.6	2.6	3.0	2.0	1.6
BRAZIL	2.9	1.6	2.7	2.1	3.3	2.9	2.9	2.4
BULGARIA	0.1	0.2	0.2	0.2	0.1	0.1	0.5	0.8
CHILE	0.2	0.1	0.0			0.0		
CHINA (MAINLAND)	7.8	2.3	1.6	6.3	2.4	6.1	19.3	15.1
CHINA (TAIWAN)	5.3	9.9	5.4	15.9	8.5	5.4	11.8	9.4
COLOMBIA	0.2	0.3	0.5	0.7	0.2	0.1	0.1	0.1
COSTA RICA								
CUBA								
CZECH REP. **	1.2	1.4	0.7	0.7	0.4	0.9	1.3	1.5
FINLAND	0.0							
FRANCE	0.9	1.3	0.8	0.7	0.5	0.3	0.3	0.4
GERMANY, D.R.								
GERMANY ***	13.4	11.3	12.3	12.9	14.4	16.0	22.4	19.8
GREECE	1.9	2.3	3.7	1.6	0.6	1.7	1.3	0.9
HONG KONG	0.5		0.1	1.1	0.4	0.5	1.5	1.2
HUNGARY	0.4	1.0	1.3	0.8	0.8	1.2	0.8	1.2
INDIA	5.1	14.7	22.1	14.5	22.6	28.8	62.1	53.1
INDONESIA	9.2	9.7	8.3	13.1	16.4	14.4	20.5	19.2
IRAQ								
IRELAND	0.6	0.4	0.4	0.2	0.2			
ISRAEL						0.0		
ITALY	33.0	36.8	43.4	40.5	32.5	34.6	62.2	59.2
JAPAN	38.5	42.1	28.4	29.1	27.3	40.1	39.0	45.2
KOREA, P.D.R.								
KOREA, REP.	17.5	10.9	11.8	14.0	13.1	22.3	21.4	21.9
MEXICO			0.0	0.3			0.3	0.2
MOROCCO	0.0	0.1	0.1	0.0	0.5	0.4	0.3	0.2
PAKISTAN	9.1	7.1	6.1	7.2	15.6	21.5	30.1	24.0
POLAND	0.4	0.5	0.3	0.4	0.4	0.6	0.7	0.7
PORTUGAL	3.3	3.3	3.2	5.7	4.8	4.7	5.0	3.7
ROMANIA	0.4	0.3	0.1			0.0		
RUSSIA	19.5	23.5	15.4	15.5	22.3	29.2	33.0	36.2
SOUTH AFRICA		0.1	0.5	0.8	0.6	0.3	0.6	0.4
SPAIN	1.6	1.9	1.6	1.9	1.0	1.7	1.9	1.9
SRI LANKA						0.5		
SWITZERLAND	9.8	8.0	10.5	12.9	9.6	8.6	33.2	25.1
THAILAND	4.8	4.9	6.9	8.4	8.4	10.8	13.5	14.3
TURKEY	6.1	12.4	13.6	14.0	8.9	6.5	7.1	5.2
UNITED KINGDOM	0.5	1.4	0.1	0.1	0.1	0.1	1.3	1.0
USSR								
VENEZUELA	0.0							
VIETNAM			0.0		0.0	0.4	0.4	0.3
FORMER YUGOSLAVIA	0.2	0.5	0.5	0.2	0.2	0.9	0.4	0.4
OTHERS	9.2	9.3	8.2	14.9	11.3	3.9	5.9	7.0
UNKNOWN	3.6	7.0	12.8	8.9	6.0	13.0	44.5	19.6
TOTAL	222	241	236	260	245	289	460	404
Former COMECON members	23	28	19	18	25	34	38	43
Rest-of-the-World	198	213	217	241	220	254	421	362

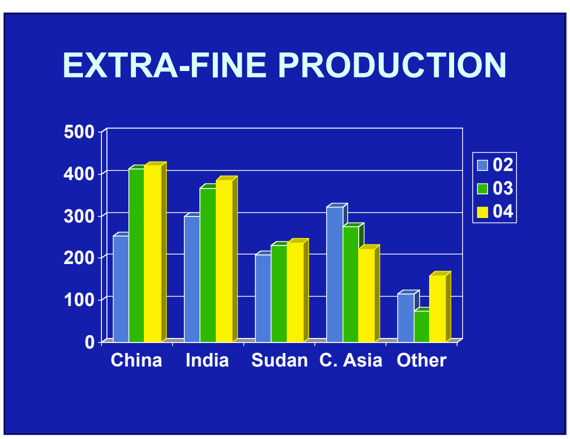
* Shipments reported by the United States, Egypt, the USSR, Sudan, Peru, India, Israel and Morocco.
Shipments from China (Mainland), Central Asia and India are estimated.

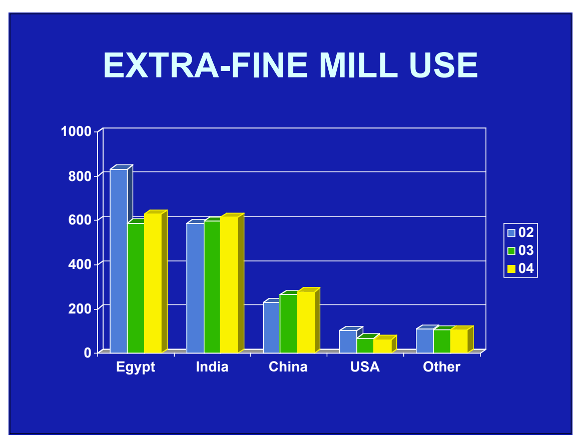

VALUE OF EXTRA-FINE DISAPPEARANCE
$ Billion
5
4
3
2
1
80/81
85/86
90/91
95/96
00/01

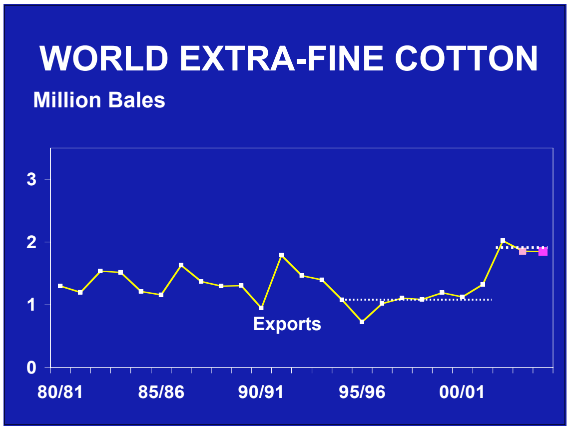

EGYPTIAN SUPPLY
Million Bales
2.5
2.0
1.5
1.0
0.5
0.0
Beginning Stocks
Production
01/02
02/03
03/04
04/05
05/06

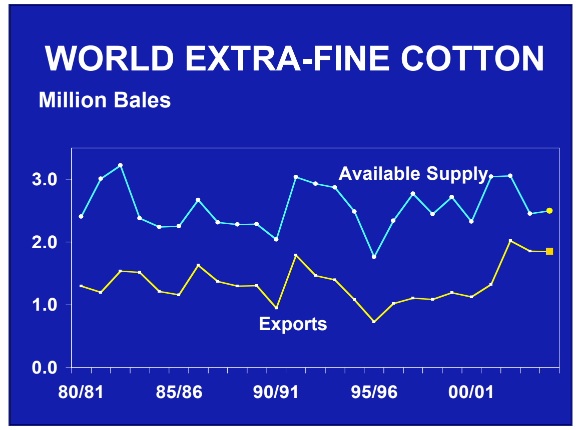

USA EXTRA-FINE SUPPLY
Million Bales
2.5
2.0
1.5
1.0
0.5
0.0
Beginning Stocks
Production
01/02
02/03
03/04
04/05
05/06

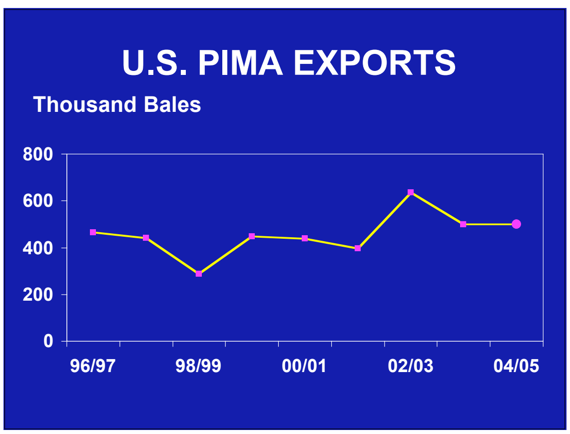

USA EXTRA-FINE AREA
Thousand Acres
300
200
100
0
Total
CA
AZ, NM, TX
90/91
92/93
94/95
96/97
98/99
00/01
02/03
04/05

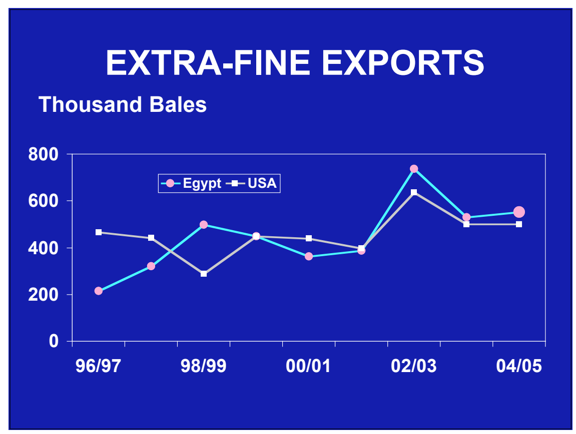

EXTRA-FINE PRODUCTION
500
400
300
200
100
0
02
03
04
China
India
Sudan
C. Asia
Other

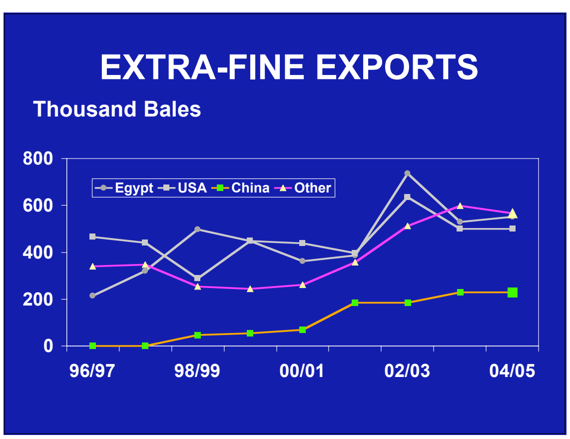

EXTRA-FINE MILL USE
1000
800
600
400
200
0
02
03
04
Egypt
India
China
USA
Other

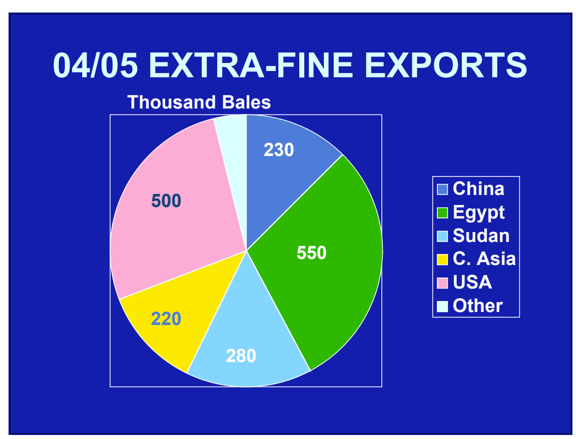

WORLD EXTRA-FINE COTTON
Million Bales
3
2
1
0
Exports
80/81
85/86
90/91
95/96
00/01

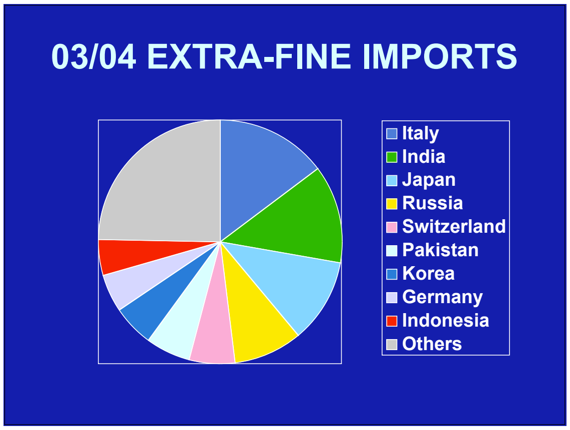

WORLD EXTRA-FINE COTTON
Million Bales
3.0
2.0
1.0
0.0
Available Supply
Exports
80/81
85/86
90/91
95/96
00/01


U.S. PIMA EXPORTS
Thousand Bales
800
600
400
200
0
96/97
98/99
00/01
02/03
04/05


EXTRA-FINE EXPORTS
Thousand Bales
800
600
400
200
0
Egypt
USA
96/97
98/99
00/01
02/03
04/05


EXTRA-FINE EXPORTS
Thousand Bales
800
600
400
200
0
Egypt
USA
China
Other
96/97
98/99
00/01
02/03
04/05


04/05 EXTRA-FINE EXPORTS
Thousand Bales
230
550
280
220
500
China
Egypt
Sudan
C. Asia
USA
Other


03/04 EXTRA-FINE IMPORTS
Italy
India
Japan
Russia
Switzerland
Pakistan
Korea
Germany
Indonesia
Others

million bales. The two consecutive seasons of relatively low prices, supported by continued promotion efforts in the U.S., seem to have increased the underlying demand for extra-fine varieties. Even in 2003/04, with the average quote for American Pima at $1.33, world exports are still expected to reach 1.9 million bales. Exports are forecast at about the same level again in 2004/05.

Three-fourths of the year-to-year variation in world exports of extra-fine cotton is accounted for by changes in available supply, defined as beginning stocks plus production less consumption in the producing countries. World beginning stocks for 2004/05 are estimated at 480,000 bales less than stocks at the start of this season, and consumption in producing countries is expected to rise a bit. However, production in 2004/05 will be higher than in the current season, and overall, the available supply in both 2003/04 and 2004/05 is estimated at around 2.3 million bales. Accordingly, little change in the total volume of world extra-fine exports is expected.

Exports of Pima from the USA are estimated at 500,000 bales this season and the same next season because the decline in beginning stocks will be offset by a rise in production, leaving the supply available for export from the U.S. about unchanged. Shipments from Egypt are estimated at 530,000 bales this season and 550,000 bales next season. Exports of extra-fine cotton from China (Mainland) are expected to remain at 230,000 bales. Exports from Israel are falling to an estimated 60,000 bales this year and the same is forecast in 2004/05 based on available supplies. Sudan is again a major supplier and is expected to export 280,000 bales this season and in 2004/05. Exports from Central Asia are estimated at 260,000 bales this season and 220,000 bales in 2004/05.

The U.S. Pima loan rate is approximately 80 cents per pound, and farm prices are well above that level. Consequently, the loan rate is not interfering with the movement of American Pima currently. Quotes in Cotton Outlook for American Pima would need to fall below $1 before the possibility of prices again hitting the loan rate would need to be considered.

Another facet of the U.S. Pima cotton program, known as the ELS Competitiveness Payments, or Pima Step 2 payments, may become effective again in 2004/05. Pima Step 2 payments are in effect when the quote in Cotton Outlook for American Pima is above one of the quotes for Giza 70, Giza 86 or Central Asian Grade 1 for four weeks. However, the Pima Step 2 payments are stopped if one of the quotes for non-U.S. extra-fine cotton reaches or exceeds 134% of the American Pima loan rate adjusted for quality and shipping costs. The 134% threshold was reached in mid-December 2003, and Pima Step 2 payments are not being made at this time.

However, If prices decline in 2004/05 as indicated by expected changes in the total cotton market, along with increases in extra-fine cotton production and ending stocks, then the cheapest quote for non-U.S. extra-fine cotton may fall below the 134% threshold, and Pima Step 2 payments would again be provided. Between October 3, 2003 and December 18, 2003, Pima Competitiveness payments ranged between 5 cents and 28 cents per pound.

Three-fourths of world extra-fine cotton exports are going to nine countries this season. Italy, India and Japan are the three largest destinations accounting for 39% of total imports. Russia, Switzerland, Pakistan, Korea, Germany and Indonesia are the next largest destinations.