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From the Secretariat

ICAC Press Release, September 4, 2012

DEMAND DESTRUCTION PLAGUING THE COTTON INDUSTRY

World cotton mill use rose from 18.6 million tons in 1998/99 to 26.7 million in 2007/08, but mill use has been lower each season since and is forecast at 23.2 million tons this season. Mill use in 2011/12 is estimated at 22.7 million tons. The policy by the Government of China of maintaining a minimum support price for farmers of approximately \$1.40 per pound, and enforcing the minimum price with import quotas and a sliding scale tariff, ensures that mill use of cotton in China will continue to erode. Mill use in China during 2012/13 is estimated at 8.6 million tons, unchanged from last season but down from a peak of approximately 11 million tons five seasons ago. The loss in mill use of cotton in China is being offset by rising polyester and rayon use, resulting in a rapid decline in cotton's market share. Mill use of cotton is rising or holding steady in other large countries, including India, Pakistan, Turkey and the United States.

World cotton production is estimated at 25.2 million tons in 2012/13, down 7% from last season but still above consumption. The estimate of production in China this season has been raised based on reports of better yield prospects. Production in India is forecast to fall to 5.2 million tons this season based on a state-by-state application of average yields to the estimates of planted area by state. Production in the U.S. is rising after the drought of 2011. The rise in prices of grain and oilseeds will reduce cotton area in Brazil and other countries.

World trade during 2012/13 is forecast at just 7.3 million tons, the smallest in four seasons and two million tons less than last season. It is assumed that China will not continue adding to the state reserve now that stocks in China are approximately 6 million tons.

With world cotton production two million tons greater than consumption, ending stocks are forecast to rise to nearly 16 million tons by July 31, 2013. The ratio of ending stocks to use outside China is forecast to rise to 0.62, the highest since 1965/66, when it was the United States, not China, that was operating a de facto world cotton buffer stock in an effort to support domestic farmers.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	Million Tons			Changes from last Month Million Tons		
Production	25.203	27.224	25.20	0.100	0.135	0.46
Consumption	24.517	22.726	23.24	0.000	0.000	0.065
Imports	7.725	9.475	7.33	0.000	0.142	-0.17
Exports	7.624	9.374	7.33	0.000	0.032	-0.17
Ending Stocks	9.374	13.973	15.93	0.100	0.345	0.74
Cotlook A Index*	1.64	1.00				

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

(Press releases are available via e-mail. For further information, please contact us at Publications@icac.org)

The International Cotton Advisory Committee is an association of governments of cotton producing and consuming countries. The Secretariat of the Committee publishes information related to world cotton production, supply, demand and prices, and provides technical information on cotton production technology. Detailed statistics are found bimonthly in COTTON: Review of the World Situation, \$185 per year. A monthly outlook is available on the Internet for \$295 per year. Access to the weekly estimates of world cotton supply and use by the Secretariat is also available on the Internet for \$460 per year.