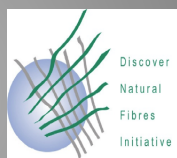


The World Cotton Market: Structure and Outlook



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8 June 2015

ICAC's Statistics on Cotton Supply & Use

Data collected for each country:

- Beginning stocks
 - Production (area, yield)
 - Imports
 - Consumption
 - Exports
 - Ending stocks
- } = Total Supply
- } = Total Distribution



ICAC SOURCES

- Coordinating Agencies
- National Organizations
- World Bank, FAO, UN
- Trade Publications
- Government Reports
- Business Contacts
- Researchers



ICAC Rules & Regulations Article II

**Section 2-Accession to Membership: Commitments of
Acceding Governments**

a. A government desiring to accede shall address a communication to the Executive Director stating that:

(2) It is prepared to fulfill the obligations of membership with respect to:

(b) The submission of information concerning the cotton situation and related matters within its own country in accordance with the prescribed requirements of ICAC and any work programs that may be approved from time to time



ICAC Rules & Regulations Article IX

Section 1

Governments, through their coordinating agencies, shall supply such available information as may be required to carry out the work program. Such information shall be sent directly to the Secretariat by the most expeditious means as soon as it becomes available.

Section 2

The following information shall be furnished each month unless otherwise indicated, except that data on regulations shall be sent only when a change is made or when specifically requested by the Secretariat.

a. Quantities of lint cotton in local units including, where feasible, a breakdown into the following staple lengths: under 3/4", 3/4" to 1-3/8", 1-3/8" and over, or their metric equivalents.

- (1) Stocks classified by country of growth, at the end of each month:
- (a) in mills and other consuming establishments,
 - (b) in public and private warehouses, in transit within the country, and all other locations within the country



ICAC Rules & Regulations Article IX

- (2) Ginnings (or pressings),
- (3) Imports, classified by country of growth or, if not available, by country of origin,
- (4) Consumption, classified by country of growth, when feasible:
 - (a) in spinning mills and other factories,
 - (b) in households (annual estimate).
- (5) Burned or otherwise destroyed (annual estimate),
- (6) Exports, classified by country of destination, and where possible by variety,
- (7) Re-exports, classified by country of destination.

b. Indications of anticipated production such as area of cotton to be planted, fertilizer sales, planting seed distribution, intentions of farmers to plant cotton, governmental area controls and goals.



ICAC Rules & Regulations Article IX

c. Forecasts and estimates of areas planted and harvested, yields, and production by varieties, as soon as available, and at least once at time of plantings and once when crop matures. Crop information should preferably be in terms of lint cotton but where only seed cotton data are available some indication of lint outturn should be supplied.

d. Monthly, quarterly, or yearly statistics, whichever is more convenient, on production, imports by country of origin and exports by country of destination, preferably in quantity units, of cotton yarn and piece goods.

e. Coordinating agencies are asked to report promptly, exclusive of the regular monthly report, all changes in government regulations which affect cotton.



ICAC Price Model

$$\ln(A_t/A_{t-1}) = a \cdot \ln(X_t/X_{t-1}) + b \cdot \ln(X_{t-1}/X_{t-2}) + m_t \cdot c \cdot \ln(Y_{t-1}/Y_{t-2}) + (1 - m_t) \cdot d \cdot \ln(Z_t/Z_{t-1}) + e \cdot D07 + f \cdot D09 + g \cdot D10$$

- Stock to use ratio for World Less China (X_t)
- Stock to use ratio for China (Y_{t-1})
- China's net imports (Z_t)

<https://www.icac.org/cotton-economics-and-cotton-statistics/Price-Model>



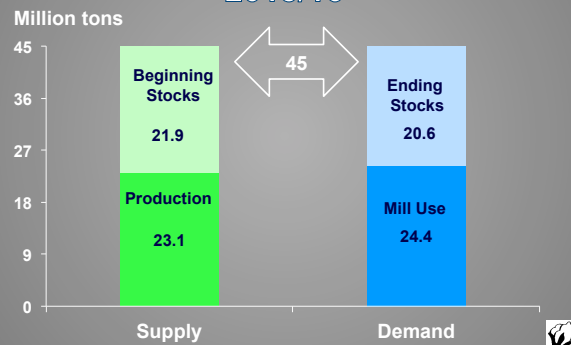
World Supply =
Beginning Stocks + Production

World Demand =
Mill Use + Ending Stocks

World Supply = World Demand



World Cotton Fundamentals 2015/16



Supply = Demand

higher/lower production
=
higher/lower Ending Stocks



Supply = Demand

higher/lower mill use
=
lower/higher Ending Stocks

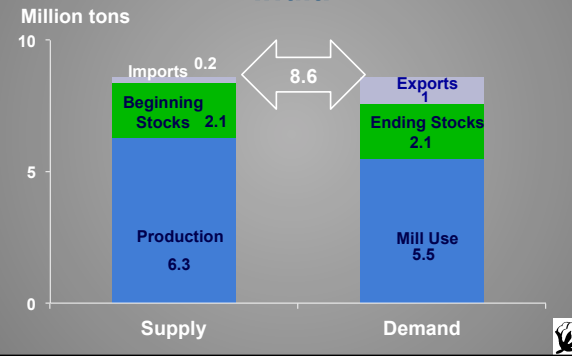


Country Supply =
Beginning Stocks + Production +
Imports

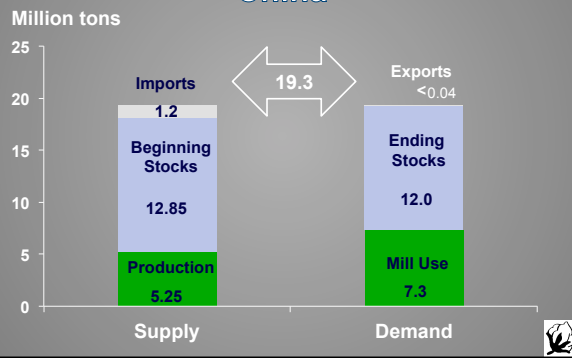
Country Demand =
Mill Use + Ending Stocks +
Exports

Country Supply = Country Demand

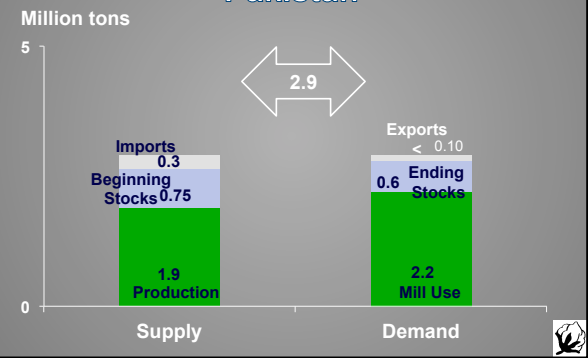
Cotton Fundamentals 2015/16 India



Cotton Fundamentals 2015/16 China



Cotton Fundamentals 2015/16 Pakistan



Important Concepts

- World Ending Stocks =
Beginning Stocks + Production – Mill Use
- World Stocks to Use Ratio =
Ending Stocks / Mill Use

World Ending Stocks 2015/16 = 20.6
 World Mill Use 2015/16 = 24.4
 World Stocks to Use Ratio 2015/16 = 20.6 / 24.4
 = 0.84

Important Concepts

- Country Ending Stocks =
Beg. Stocks + Prod. + Imports – Exports – Mill Use
- Country Stocks to Mill Use Ratio =
Ending Stocks / Mill Use
- Country Stocks to Use Ratio =
Ending Stocks / (Mill Use + Exports)

INDIA:
 Ending Stocks 2015/16 = 2.1
 Stocks to Mill Use Ratio 2015/16 = 2.1 / 5.5 = 0.38
 Stocks to Use Ratio 2015/16 = 2.1 / (5.5 + 1) = 0.32