

Comparisons of Price Movements in Cotton and Other Commodities



Alejandro Plastina, ICAC
Seminar on Cotton Price Volatility
Washington, DC
8 February 2011

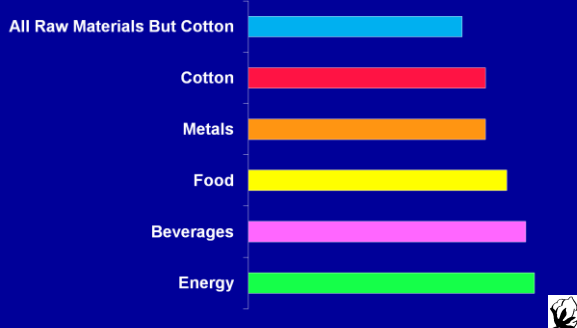


Overview

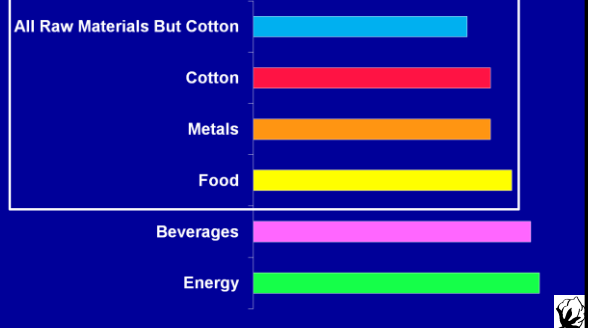
- Monthly Prices for 53 Commodities, 1980-2010
 - Cotton
 - All raw materials but cotton
 - Metals
 - Beverages
 - Food
 - Energy
- Daily Cotton Prices, 1972-2010



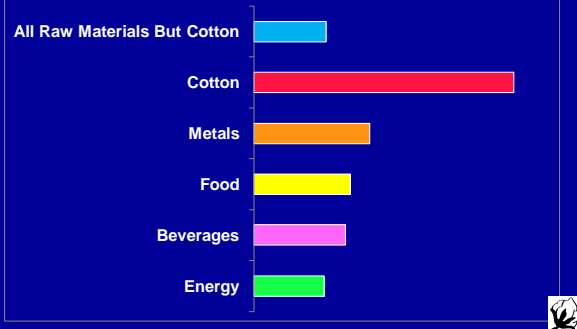
Annual Average Volatility: 1980-2009



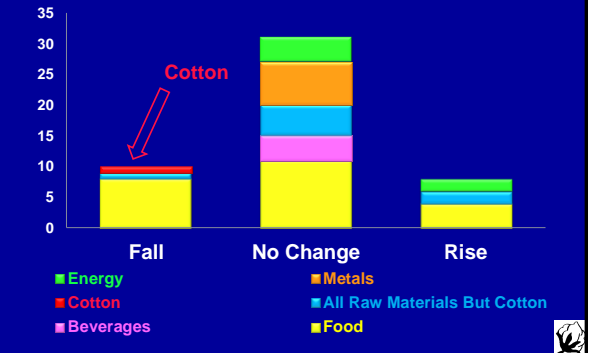
Annual Average Volatility: 1980-2009

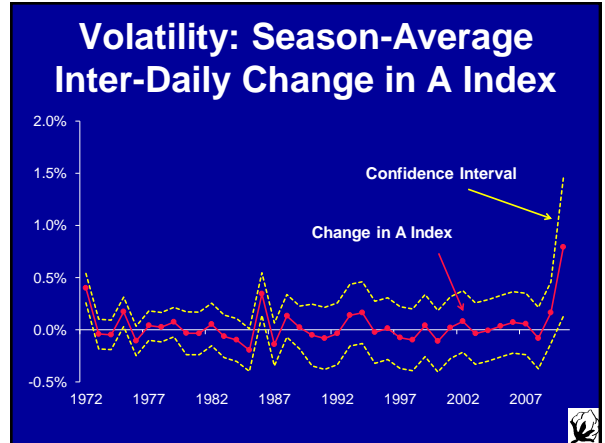
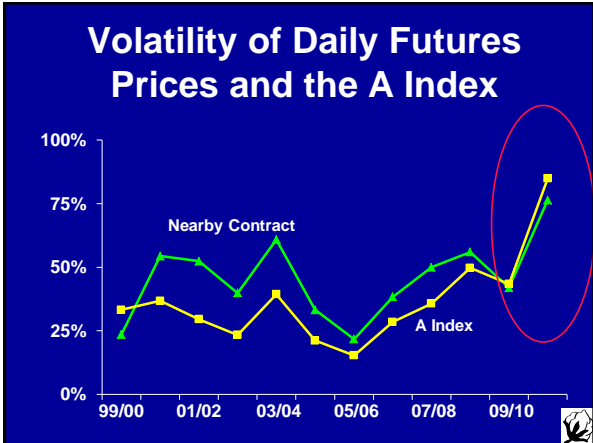
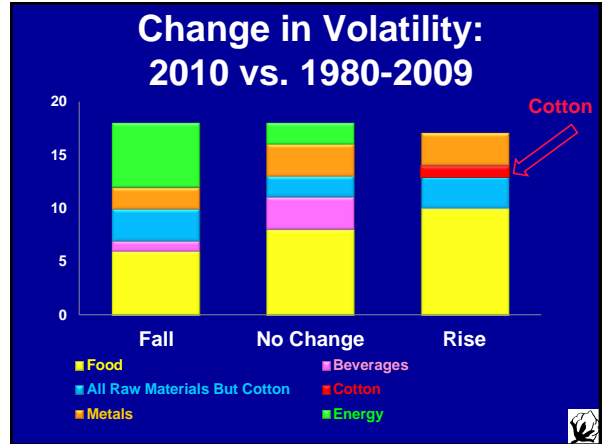
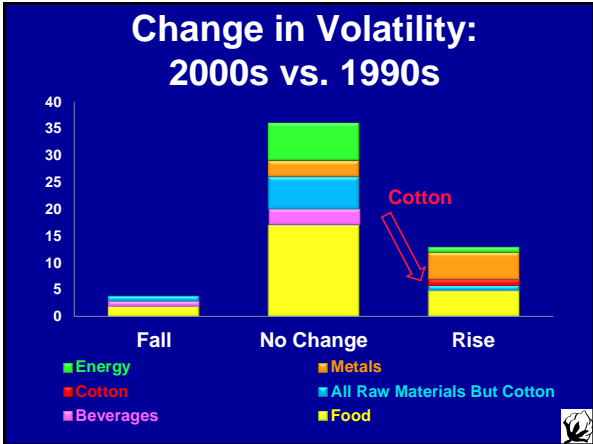


Annual Average Volatility: 2010



Change in Volatility: 1990s vs. 1980s





Volatility 53 Commodities Monthly Prices

Conclusions:

- No consistently rising or falling pattern of price volatility for any commodity.
- Volatility in 2010 was higher than the long term average for only 17 out of 53 commodities (1/3).

Volatility 53 Commodities Monthly Prices

Conclusions (cont'd):

- Volatility of cotton prices:
 - Long-term: Similar to volatility of other raw agricultural products, food, and metals; but lower than volatility of energy and beverages.
 - Fell in the 1990s, rose in the 2000s.
 - In 2010, higher than long term average volatility.
 - In 2010, highest volatility out of 53 commodities.

Volatility: Daily Cotton Prices

Conclusions:

- Volatility of the A Index increased across decades from the 1970s to the 1990s, but remained stable in the 2000s, and peaked in 2010/11 to a record.
- 1999/00-2008/09: futures prices more volatile than A Index
- 2009/10-2010/11: similar volatility



**International Cotton Advisory
Committee**