



From the Secretariat

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World Cotton Prices on the Decline

International cotton prices declined noticeably in the last few weeks, due mainly to the anticipation by the industry of a second consecutive season of increase in global stocks. The ICAC Secretariat expects stocks to jump by 43% in 2011/12 to 13.3 million tons, and then to expand by another 9% in 2012/13 to 14.5 million tons. By the end of July 2013, global cotton stocks would represent 61% of global consumption, the highest stocks-to-use ratio reached since 1998/99. Other factors participating in the recent price decrease include the arrival of rains in Texas, new uncertainties regarding the EU economy and the resulting strengthening of the U.S. dollar.

World cotton production is forecast down by 7% in 2012/13 to 25.1 million tons following the plunge in cotton prices in 2011/12. Global cotton mill use is projected to increase by 3% to 23.9 million tons in 2012/13, driven by improving economic growth and lower cotton prices. Global trade is expected to decline by 8% to 8.1 million tons. Chinese imports could fall from a record of 4.6 million tons to 3.3 million tons, whereas imports by the rest of the world could increase by 15% to 4.8 million tons, boosted by lower cotton prices and increased consumption.

In 2011/12, three-fourths of the projected increase in global stocks is taking place in China, mostly within the national reserve. A portion of this reserve might be auctioned before the arrival of the new crop, to rotate stocks. The Chinese government already announced a slightly higher minimum support price for 2012/13 and is expected to buy part of the new cotton crop. This suggests that the size of the Chinese national cotton reserve may increase further in 2012/13.

The projected accumulation of global cotton stocks will weigh on international cotton prices in 2012/13, and price volatility may increase due to the uncertainty related to the Chinese national reserve.

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	25.103	27.109	25.10	0.000	0.011	-0.15
Consumption	24.484	23.111	23.90	-0.095	-0.113	-0.15
Imports	7.672	8.700	8.07	-0.026	0.335	-0.28
Exports	7.624	8.741	8.07	0.007	0.091	-0.20
Ending Stocks	9.310	13.268	14.46	0.093	0.176	0.17
Cotlook A Index*	1.64	1.03**				

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

** Average for the first ten months of the season (August 2011 to May 2012).

(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.