

World Cotton Stocks to Remain Tight in 2010/11

Global cotton ending stocks are falling by an estimated 18% this season (2009/10), to 10.5 million tons, the smallest level in six years: cotton production is declining while mill use is rebounding. In 2010/11, global cotton production is projected to rise to 24.9 million tons, but mill use is expected to continue its recovery, so ending stocks will increase only slightly to 10.6 million tons.

These levels of stocks and mill use imply a global stocks-to-use ratio of 43% in both 2009/10 and 2010/11, down from a five-year average of 50% (2004/05 to 2008/09). This is the lowest global stocks-to-use ratio since 2003/04. Stocks are expected to remain tighter than in previous years in many countries, due to sustained demand recovery.

World cotton trade is expected to increase to 7.8 million tons in 2010/11, up by 3% from this season. Chinese imports will drive the world total, with a forecast increase of 21% to 2.7 million tons. Exports from the United States and many other countries are expected to increase in 2010/11, fueled by increased production.

Based on a price forecast of 78 cents per pound for 2009/10, the ICAC Price Model forecasts a 2010/11 season-average Cotlook A Index of 85 cents per pound. The 95% confidence interval extends from 72 to 101 cents per pound.

This forecast implies a 9% increase with respect to the 2009/10 forecast. However, caution must be exercised since all commodity markets are subject to great uncertainty.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
	Million Tons			Million Bales		
Production	23.43	22.1	24.9	107.6	101	114
Consumption	23.38	24.4	24.8	107.4	112	114
Exports	6.55	7.6	7.8	30.1	35	36
Ending Stocks	12.75	10.5	10.6	58.6	48	49
Cotlook A Index*	61.20	78**	85***	61.20	78**	85***

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

** The price projection for 2009/10 is based on the ending stocks/consumption ratio in the world-less-China in 2007/08 (estimate), in 2008/09 (estimate) and in 2009/10 (projection), on the ratio of Chinese net imports to world imports in 2008/09 (estimate) and 2009/10 (projection), and on the average price for the first ten months of 2009/10. 95% confidence interval: 75 to 81 cents per pound.

*** The price projection for 2010/11 is based on the ending stocks/consumption ratio in the world-less-China in 2008/09 (estimate), in 2009/10 (estimate) and in 2010/11 (projection), and on the ratio of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection). 95% confidence interval: 72 to 101 cents per pound.