



INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington, DC 20006 USA

Telephone (202) 463-6660 • Fax (202) 463-6950 • email secretariat@icac.org



From the Secretariat

ICAC Press Release, January 3, 2011

Record Price Surge, as 2010/11 Cotton Supply is Almost Sold Out

Relatively low world stocks of cotton; limited supply, robust demand and a very low level of uncommitted cotton caused the surge in prices in 2010/11. The Cotlook A Index surged from 86 cents per pound on August 2, 2010 to a record 186 cents per pound on December 22, 2010. The Cotlook A Index retreated to 172 cents per pound on December 31, 2010. The season average Cotlook A Index reached 129 cents per pound, 66% higher than the 2009/10 average of 77.5 cents per pound. Similar trends were recorded at the ICE exchange in New York trading the cotton futures contract.

It is estimated that as of end-December 2010, USA export commitments exceeded 3.1 million tons, or 90% of projected exports for the season. The USA is the largest exporter of cotton, accounting for an estimated 41% of world exports in 2010/11. In 2010/11, exports by India, the world's second largest exporter, were capped by the government below 1 million tons, all of which have been committed. Central Asian commitments are estimated at over 1 million tons, or 85% of projected exports. Australia and Brazil are expanding production substantially, responding to record prices, but this cotton will not become physically available until April 2011. It is estimated that only about 10 percent of projected world trade of 8.3 million tons is still available for purchase at this relatively early stage of the season. The scarce uncommitted supply may provide strong pressure on prices and cause increased volatility through the rest of the season.

The average Cotlook A Index is well above the current ICAC 2010/11 season-average projection of 101 cents per pound. The ICAC Secretariat encourages an awareness of the confidence interval around each forecast, rather than an exclusive focus on the point estimate. It also acknowledges that in the current environment of volatility, the ICAC price model may be less relevant than in other seasons.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	Million Tons			Million Bales		
Production	21.8	25.1	27.3	100	115	125
Consumption	24.6	24.6	25.3	113	113	116
Exports	7.8	8.3	8.4	36	38	39
Ending Stocks	8.9	9.4	11.3	41	43	52
Cotlook A Index*	77.54	101**		77.54	101**	

* Season-average Cotlook A Index (U.S. 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), on the ratio of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection), and on the average price for the first five months of 2010/11.

95% confidence interval: 93 to 111 cents 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.