



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Consumption Growth Slowing in 2003/04

World cotton consumption increased by 800,000 tons to a record of 21 million tons in 2002/03, outpacing production by 1.9 million tons. World ending stocks shrunk to an estimated 8.8 million tons by July 31, 2003, the lowest in eight seasons. Net imports by China (Mainland) surpassed a half-million tons in 2002/03, a twenty-fold increase from 2001/02. As a result, the Cotlook A Index averaged 56 cents per pound in 2002/03, 14 cents (33%) above the 29-year low of the previous season. Higher prices combined with the tepid global economy are expected to increase world production and reduce the growth rate of world consumption in 2003/04. However, production is forecast to remain below consumption, leading to a further reduction in world ending stocks. Supply and demand forecasts suggest that the season-average Cotlook A Index will reach 61 cents per pound in 2003/04, five cents higher than the average in 2002/03 and the highest since 1997/98 but below the 30-year average of 70 cents per pound for the sixth consecutive season.

World cotton consumption at the end-use level will be restrained by the relatively low growth in industrial countries predicted by the IMF for 2003 and 2004. Mill cotton consumption will be negatively affected by higher cotton prices. Yarn prices increased less than cotton prices in 2002/03, eroding the profitability of the spinning industry, and world yarn stocks inflated. Polyester prices dropped sharply since March 2003 and the market share of cotton is likely to decline. The bottom line is that the growth rate of world cotton mill consumption is expected to abate from 4% in 2002/03 to about 1% in 2003/04. The textile industry in China (Mainland) will continue to be the engine for world mill use. However, the growth rate of mill consumption in China (Mainland) is forecast to falter from 15% in 2002/03 to 5% in 2003/04. Consumption in China (Mainland) is expected to reach 6.6 millions tons, up 300,000 tons from 2002/03. Consumption in the rest of the world is expected to stumble to 14.6 million tons, as declines in developed countries will more than offset increases expected in developing countries.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2001/02	2002/03	2003/04	2001/02	2002/03	2003/04
	Million Tons			Million Bales		
Production	21.505	19.142	20.49	98.77	87.92	94.1
Consumption	20.202	20.963	21.23	92.79	96.28	97.5
Exports	6.471	6.577	6.43	29.72	30.21	29.5
Ending Stocks	10.630	8.817	8.07	48.82	40.50	37.1
Cotlook A Index	41.80	55.70	61*	41.80	55.70	61*

* US cents per pound. Statistical estimates are based on current estimates of supply and use; 95% confidence intervals extend 12 cents per pound above and below each point estimate.

(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 42 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*, \$160 per year. A monthly outlook by fax is also available for \$300 per year or on the Internet for \$250 per year. Access to the weekly estimates of world cotton supply and use by the Secretariat is also available on the Internet for \$500 per year.