



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

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Prices Declining

World production is expected to rise by 8% next season and will likely be 600,000 tons above world consumption, while net imports by China (Mainland) are projected to decline from an estimated 1.7 million tons this season to 1.5 million tons in 2004/05. As a result, the Cotlook A Index is expected to average 67 cents per pound in 2004/05, three cents lower than the average of 70 cents per pound expected for the current season.

World production is estimated at 20.2 million tons this season, up 900,000 tons (5%) from 2002/03, but still 900,000 tons less than mill use. Consequently, world ending stocks are expected to shrink from 8.6 million tons last season to 7.7 million tons on July 31st 2004, the lowest since 1994/95.

Cotton prices in April were at their highest level at this time of the year in seven seasons. World cotton area is expected to reach 34 million hectares, up 6% from the current season and the highest since 1996/97. Based on average yields, world production is projected to increase by 1.7 million tons to a record of 21.9 million tons in 2004/05.

The textile industry will be positively affected by higher economic growth and by the elimination of quotas on textiles and apparel trade after January 1, 2005. However, cotton's market share continues to erode because polyester remains cheaper than cotton. World cotton mill use is projected up 1% only (200,000 tons) in 2004/05, climbing to a record of 21.3 million tons.

On April 22, agriculture ministers decided to reform EU support for cotton. 65% of aid will be paid in the form of direct income support to producers decoupled from production. The reform will take effect in 2006/07. On April 26, a WTO panel released a confidential interim report siding with some of Brazil's complaints about the U.S. cotton program. The WTO dispute will not affect U.S. production and exports during the next two seasons.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2003/04	2004/05	2005/06	2003/04	2004/05	2005/06
	Million Tons			Million Bales		
Production	20.243	21.85	22.22	92.98	100.4	102.0
Consumption	21.127	21.31	21.56	97.03	97.9	99.0
Exports	7.095	6.54	6.59	32.59	30.0	30.3
Ending Stocks	7.724	8.26	8.92	35.48	37.9	41.0
Cotlook A Index	70*	67*	61*	70*	67*	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. THE ESTIMATE FOR 2003/04 IS NOT A PRICE MODEL RESULT.

(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.