



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Supply and Demand Price Responsive

The Cotlook A Index averaged 68 cents per pound in 2003/04, a six-year high. Higher prices are boosting world cotton area by an estimated 8% in 2004/05. The harvest has begun in the northern hemisphere without incident, and the world yield is forecast to climb to a record of 663 kilograms per hectare in 2004/05, up 26 kilograms from last season. As a result, world production is forecast up 13%, from 20.5 million tons last season to a record of 23.1 million tons. This would be the largest year-to-year increase in absolute terms since 1984/85.

Expectations of rising stocks and of lower imports by China (Mainland) in 2004/05 caused the Cotlook A Index to fall from 75 cents per pound in January 2004 to 52 cents per pound in August 2004. World cotton consumption in 2004/05 will be stimulated by lower prices, as cotton is currently price competitive with polyester. Mill use is forecast up 400,000 tons, nearly 2%, to a record of 21.6 million tons this season. For the fifth consecutive season, China (Mainland) will capture most of the increase in world mill use. Cotton mill use in China (Mainland) is projected to increase to 7.5 million tons in 2004/05, up 400,000 tons, or 5%, from last season. Mill use in the rest of the world is projected unchanged at 14.1 million tons, the same as in 1998/99, when consumption in China (Mainland) was 4.3 million tons.

The shortfall between production and consumption in China (Mainland) is expected to shrink by one million tons this season from an estimated 2.2 million tons in 2003/04. However, depleted stocks, including government reserves, need to be replenished. Chinese imports are expected to decline from a record of over 1.9 million tons in 2003/04 to 1.5 million tons this season.

Despite record consumption, world ending stocks are projected to increase from 7.8 million tons last season to 9.2 million tons in 2004/05. Market fundamentals suggest that the season-average Cotlook A Index will decline to 52 cents per pound in 2004/05, sixteen cents (24%) below the average in 2003/04.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2003/04	2004/05	2005/06	2003/04	2004/05	2005/06
	Million Tons			Million Bales		
Production	20.485	23.08	22.04	94.09	106.0	101.2
Consumption	21.256	21.63	21.98	97.63	99.4	101.0
Exports	7.280	6.56	6.95	33.44	30.1	31.9
Ending Stocks	7.761	9.21	9.26	36.65	42.3	42.5
Cotlook A Index	68.3	52*	53*	68.3	52*	53*

* 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 41 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.