



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Cotton Prices to Rise in 2005

World cotton production is estimated at a record of almost 25 million tons in 2004/05, up 4.2 million tons, or 20%, from last season. World consumption is projected to rise to an all-time-high of 22.5 million tons, up 1.2 million tons (6%) from last season. With production higher than consumption, world ending stocks are projected to swell by 2.3 million tons this season, and will surpass 10 million tons by July 31, 2005. As a result, the Cotlook A Index dropped from 80 cents per pound at the end of October 2003 to 47 cents in mid-November 2004, the lowest since July 2002. Supply and demand estimates suggest that the Cotlook A Index will average 48 cents per pound this season, 20 cents (30%) below the 6-year high in 2003/04.

Declining cotton prices in 2004 will curtail plantings and stimulate cotton mill use in 2005/06. Production is forecast to decline to 22.5 million tons next season, down 2.4 millions tons (10%), but still the second largest crop on record. Mill use is projected to climb to an unprecedented 22.9 million tons, up 400,000 tons (almost 2%), outpacing production by an estimated 400,000 tons.

The ending stocks-to-use ratio outside China (Mainland) is projected to rise 2 percentage points to 74% in 2005/06, the highest since the late 1950s. However, due to lower domestic prices, production in China (Mainland) is projected to decrease to 5.8 million tons in 2005/06, down half a million tons from the estimated crop in 2004/05, while consumption is projected to reach 8.3 million tons, up 4%. Therefore, net imports by China (Mainland) are forecast to surge to a record of almost 2.5 million tons in 2005/06, up 700,000 tons from the forecast for the current season. As a result, the season-average Cotlook A Index is projected to rebound to 59 cents per pound in 2005/06, up 11 cents (23%) from the projected average for this season.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2003/04	2004/05	2005/06	2003/04	2004/05	2005/06
	Million Tons			Million Bales		
Production	20.652	24.87	22.53	94.86	114.2	103.5
Consumption	21.184	22.53	22.92	97.71	103.5	105.3
Exports	7.274	6.74	7.81	33.41	31.0	35.9
Ending Stocks	7.791	10.14	9.74	35.79	46.6	44.8
Cotlook A Index	68.3	48*	59*	68.3	48*	59*

* 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.