



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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Production Equal to Consumption in 2005/06

World cotton production is forecast to fall below 24 million tons in 2005/06, down 2.4 million tons but still the second largest crop on record. World consumption is expected to reach an unprecedented 23.8 million tons in 2005/06, 550,000 tons more than in the current season. With China (Mainland)'s imports projected to more than double during 2005/06, climbing to 2.8 million tons, world cotton trade is forecast to surpass 8 million tons for the first time. These market fundamentals suggest that the season-average Cotlook A Index will be 65 cents per pound in 2005/06, 13 cents more than the average expected for 2004/05. Initial projections for 2006/07 indicate that production will rise to 24.7 million tons, slightly above consumption. The season-average Cotlook A Index is expected to remain between 60 and 70 cents per pound for a second season.

Attention continues to focus on the direction of China (Mainland)'s policy regarding cotton imports and textiles and apparel exports and its potential influence on the market. After the elimination of all quotas on textiles and apparel trade among WTO members on January 1, 2005, Chinese exports in the largest import markets, the U.S. and the EU, skyrocketed. China (Mainland) concluded an agreement with the EU, whereby a new quota system will come into effect on July 20, 2005 to limit the annual growth in exports of various categories of textiles and apparel to the EU. The Chinese Ministry of Commerce will issue export licenses based on companies' exports during the previous 12 months.

The U.S. is changing its export credit guarantee programs effective July 1, 2005, and the U.S. Administration is working with the Congress to change the Step 2 program for upland cotton to comply with WTO rules. In addition, the American Pima competitiveness payment formula will be changed on August 5, 2005. These changes are not expected to affect the volume of U.S. exports.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
	Million Tons			Million Bales		
Production	26.26	23.9	24.7	120.6	110	114
Consumption	23.26	23.8	24.5	106.8	109	113
Exports	7.27	8.1	8.3	33.4	37	38
Ending Stocks	10.71	10.8	11.1	49.2	50	51
Cotlook A Index	52*	65*	65*	52*	65*	65*

* US cents per pound. The estimate for 2004/05 IS NOT A PRICE MODEL RESULT. The statistical estimate for 2005/06 is based on current estimates of supply and use; 95% confidence intervals extend 12 cents per pound above and below the 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.