



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Prices Rising

World production is expected to decline by 10% in 2005/06 and will likely fall slightly below world consumption, while net imports by China (Mainland) are projected to skyrocket from an estimated 1.45 million tons this season to 2.8 million tons in 2005/06. As a result, the Cotlook A Index is expected to average 66 cents per pound in 2005/06, thirteen cents above the average of 53 cents per pound expected for the current season.

World production is now estimated at 26 million tons in 2004/05, up 5.3 million tons (26%) from 2003/04, outpacing mill use by 2.9 million tons. Consequently, world ending stocks are expected to rise from 7.8 million tons last season to an estimated 10.4 million tons on July 31st 2005.

Lower cotton prices in 2004, combined with the anticipated return of normal weather in 2005 after near-ideal conditions last year, are likely to reduce world production in 2005/06. Yet, structural factors continue to sustain world production. The expanded use of new technologies is contributing to lower production costs. Direct government support to the cotton industry increased from \$3.4 billion in 2003/04 to an estimated US\$4.7 billion in 2004/05. No changes in the cotton policies providing direct support in the developed countries are expected next season. However, the U.S. has pledged to abide by the requirements of the WTO ruling on export subsidies by July 1, 2005.

World cotton consumption is affected by economic growth, fiber prices, trade rules and consumer preferences. The textile industry will be positively affected by the elimination of quotas on textiles and apparel trade among WTO members on January 1, 2005. International polyester prices are currently about 20% above cotton prices. Nevertheless, rising cotton prices in 2005 are likely to slow the rate of growth of cotton mill use from an 18-year high of 8% this season to 2.5% in 2005/06. World cotton mill use is forecast to reach 23.7 million tons, up 600,000 tons.

The gap between production and use in China (Mainland) is forecast to widen to 2.8 million tons in 2005/06, one million tons more than the estimated gap this season. Record imports by China (Mainland), combined with lower production and rising consumption in the rest of the world, will boost world trade to an unprecedented 7.9 million tons in 2005/06, up 800,000 tons from the current season.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2003/04	2004/05	2005/06	2003/04	2004/05	2005/06
	Million Tons			Million Bales		
Production	20.704	25.96	23.53	95.09	119.3	108.1
Consumption	21.352	23.08	23.65	98.07	106.0	108.6
Exports	7.278	7.10	7.92	33.43	32.6	36.4
Ending Stocks	7.763	10.37	10.24	35.66	47.6	47.0
Cotlook A Index	68.3	53*	66*	68.3	53*	66*

* 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.