



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Stocks to increase in 2005/06

Lower prices and less favorable weather are leading to a 7%-decline in world production in 2005/06, from a record of 26.2 million tons last season to an estimated 24.4 million tons. Mill use is forecast up 500,000 tons to a record of 23.9 million tons this season. World ending stocks are projected to climb to 10 million tons at the end of 2005/06, the highest since 1998/99. Expectations of rising stocks in 2005/06 caused the Cotlook A Index to fall from 58 cents per pound in April 2005 to 52 cents per pound in August 2005, despite the anticipation of record imports by China (Mainland).

Advances in technology, including biotechnology and other pest management techniques, are reducing cotton production costs worldwide, and many producers can cover costs at current prices. In addition, government measures continue to support producers in some countries. As a consequence, world cotton area is expected to decrease by only 1.5% in 2005/06 to about 35 million hectares, the second largest area in 10 seasons.

World cotton consumption in 2005/06 will be negatively affected by high crude oil prices and slowing world economic growth. An increase in cotton prices will also slow growth in demand. Although cotton is expected to remain price competitive with polyester, cotton's share of world fiber use is expected to decline to 38.1% in 2005, down from 40.4% in 2001.

The shortfall between production and consumption in China (Mainland) is expected to widen by 900,000 tons this season from an estimated 1.9 million tons in 2004/05. As a result, Chinese imports are expected to double from 1.4 million tons in 2004/05 to a record of 2.8 million tons this season. U.S. exports are expected to reach 3.1 million tons in 2005/06, up 50,000 tons from last season, breaking the record for the fifth consecutive season. Market fundamentals suggest that the Cotlook A Index will average 62 cents per pound in 2005/06, up 10 cents from last season.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
	Million Tons			Million Bales		
Production	26.20	24.4	24.8	120.4	112	114
Consumption	23.40	23.9	24.6	107.5	110	113
Exports	7.65	8.1	8.2	35.2	37	38
Ending Stocks	10.39	10.9	11.1	47.7	50	51
Cotlook A Index	52.2	62*	61*	52.2	62*	61*

- US cents per pound; the statistical estimates for 2005/06 and 2006/07 are 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.