



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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## Cotton Prices Higher in January 2006

The Cotlook A Index averaged 56 cents per pound between August 2005 and January 2006, five cents higher than over the same period last season. The monthly average Cotlook A Index increased from 56 cents per pound in November and December 2005 to 58 cents per pound in January 2006. However, international cotton prices are still well below the Secretariat's projection of 65 cents per pound for the entire 2005/06 season.

World cotton production is estimated at 25.2 million tons in 2005/06, down 1.2 million tons (4%) from last season, while consumption is projected to increase by about 500,000 tons (2%) to a record 24.4 million tons. With consumption below production, world ending stocks are increasing for the second consecutive season to 11.3 million tons in 2005/06.

Higher prices in 2005/06 are likely to encourage a modest expansion of world cotton area in 2006/07 and the Secretariat estimates that world area will grow by about 3% to 35.7 million hectares. Assuming average weather conditions, it is expected that world production will reach 25.4 million tons in 2006/07, slightly above 2005/06. Production is expected to increase in China (Mainland), India, Turkey and Brazil, but is forecast down in the United States.

World cotton consumption is expected to continue to increase in 2006/07, increasingly concentrated in China (Mainland), India, Pakistan, and Bangladesh. These four countries taken together could account for 64% of global mill use in 2005/06 and 65% in 2006/07.

In 2006/07, Chinese imports are expected to decrease slightly compared to 2005/06; however, ending stocks in the rest of the world are forecast up almost 300,000 tons. This explains the Secretariat's projection of a weakening of prices in 2006/07.

### WORLD COTTON SUPPLY AND DISTRIBUTION

	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
	Million Tons			Million Bales		
<b>Production</b>	26.30	25.2	25.4	120.8	116	117
<b>Consumption</b>	23.84	24.4	25.1	109.5	112	115
<b>Exports</b>	7.75	8.9	8.7	35.6	41	40
<b>Ending Stocks</b>	10.48	11.3	11.6	48.1	52	53
<b>Cotlook A Index</b>	52.2	65*	62*	52.2	65*	62*

- 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.**

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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, \$170 per year. A monthly outlook by fax is also available for \$315 per year or on the Internet for \$265 per year. Access to the weekly estimates of world cotton supply and use by the Secretariat is also available on the Internet for \$420 per year.