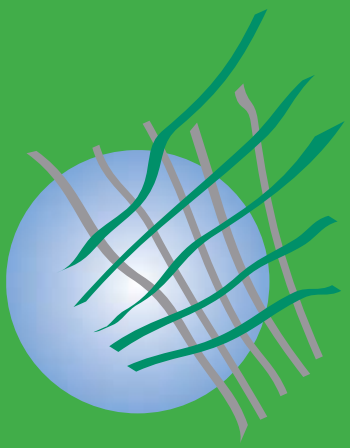
International Cotton Advisory Committee



Discover
Natural
Fibres
Initiative

COTTON : Review of the World Situation

Volume 64 - Number 4
March-April 2011

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ICAC

SUPPLY AND DISTRIBUTION OF COTTON

April 1, 2011

Seasons begin on August 1

	2006/07	2007/08	2008/09	2009/10 Est.	2010/11 Proj.	2011/12 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	**12.550**	**12.767**	**12.213**	**11.924**	**8.69**	**8.31**
CHINA	3.991	3.653	3.321	3.585	2.78	2.41
USA	1.321	2.064	2.188	1.380	0.64	0.37
PRODUCTION						
WORLD TOTAL	**26.747**	**26.020**	**23.324**	**21.853**	**24.46**	**27.40**
CHINA	7.975	8.071	8.025	6.925	6.40	7.19
INDIA	4.760	5.219	4.930	5.050	5.30	5.74
USA	4.700	4.182	2.790	2.654	3.94	4.12
PAKISTAN	2.121	1.876	1.891	2.019	1.76	2.24
BRAZIL	1.524	1.602	1.214	1.194	1.95	1.99
UZBEKISTAN	1.171	1.206	1.000	0.850	1.00	1.05
OTHERS	4.496	3.864	3.474	3.161	4.11	5.05
CONSUMPTION						
WORLD TOTAL	**26.465**	**26.501**	**23.527**	**24.854**	**24.83**	**25.57**
CHINA	10.600	10.900	9.265	10.099	10.00	10.30
INDIA	3.944	4.053	3.872	4.232	4.61	4.93
PAKISTAN	2.633	2.649	2.428	2.307	2.10	2.16
EAST ASIA & AUSTRALIA	1.864	1.835	1.680	1.829	1.76	1.77
EUROPE & TURKEY	2.084	1.744	1.409	1.550	1.48	1.49
BRAZIL	0.987	1.001	0.994	1.002	1.04	1.06
USA	1.074	0.998	0.781	0.754	0.78	0.76
CIS	0.681	0.664	0.596	0.605	0.58	0.58
OTHERS	2.598	2.657	2.502	2.477	2.48	2.51
EXPORTS						
WORLD TOTAL	**8.066**	**8.372**	**6.619**	**7.766**	**8.31**	**8.51**
USA	2.821	2.968	2.887	2.621	3.43	3.27
INDIA	0.960	1.530	0.515	1.420	1.00	0.78
UZBEKISTAN	0.980	0.900	0.630	0.790	0.75	0.75
CFA ZONE	0.924	0.595	0.464	0.553	0.48	0.54
AUSTRALIA	0.465	0.265	0.261	0.460	0.63	0.76
BRAZIL	0.283	0.486	0.596	0.433	0.61	0.75
IMPORTS						
WORLD TOTAL	**8.141**	**8.396**	**6.523**	**7.713**	**8.31**	**8.51**
CHINA	2.306	2.511	1.523	2.374	3.23	3.54
EAST ASIA & AUSTRALIA	1.899	1.860	1.665	1.888	1.80	1.92
EUROPE & TURKEY	1.340	1.081	0.861	1.174	0.91	0.95
PAKISTAN	0.502	0.851	0.417	0.344	0.35	0.18
CIS	0.322	0.271	0.236	0.215	0.15	0.16
TRADE IMBALANCE 1/	**0.074**	**0.024**	**-0.096**	**-0.053**	**0.00**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.140**	**-0.097**	**0.011**	**-0.181**	**-0.01**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**12.767**	**12.213**	**11.924**	**8.689**	**8.31**	**10.14**
CHINA	3.653	3.321	3.585	2.780	2.41	2.85
USA	2.064	2.188	1.380	0.642	0.37	0.47
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	**57**	**57**	**58**	**40**	**40**	**48**
CHINA 4/	**34**	**30**	**39**	**28**	**24**	**28**
COTLOOK A INDEX 5/	**59.15**	**72.90**	**61.20**	**77.54**	**162***	**138****

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.
2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.
3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.
4/ China's ending stocks divided by China's mill use, multiplied by 100.
5/ U.S. cents per pound.
* The price projection for 2010/11 is not based on the ICAC price model.
** The price projection for 2011/12 is based on the ending stocks/consumption ratios in the world-less-China and in China in 2009/10 (estimates), in 2010/11 (projections) and in 2011/12 (projections).
95% confidence interval: $1.19 to $1.59 per pound.

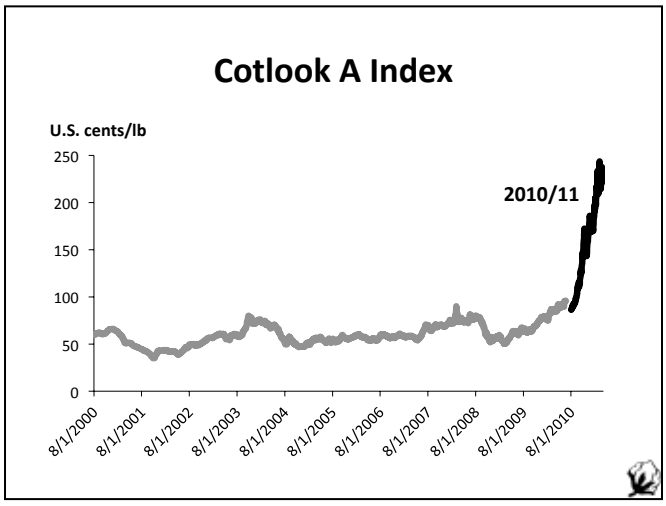
SUMMARY OF THE OUTLOOK FOR COTTON

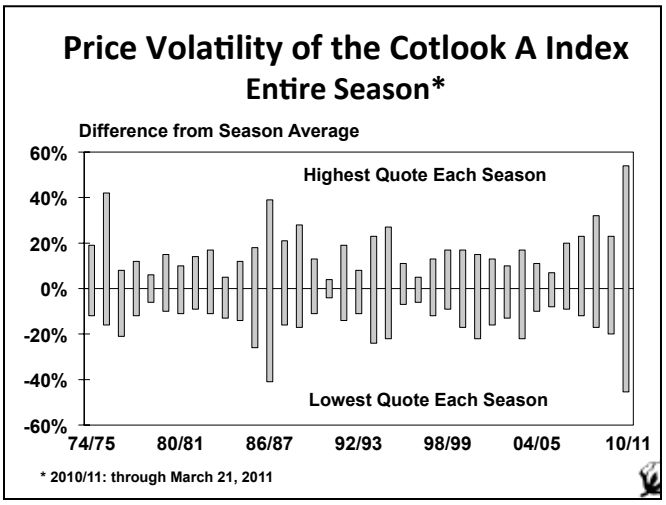
Cotton Prices to Remain Strong in 2011/12

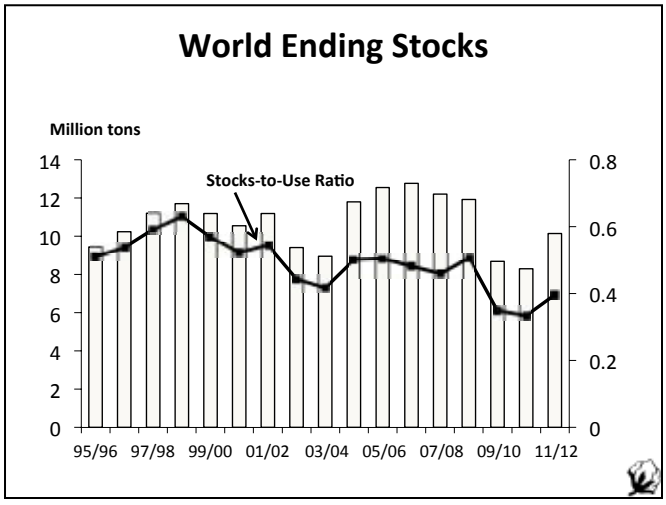
Cotton prices increased sharply this season, making the variations of past seasons appear minor in retrospect. World cotton prices continued rising in early 2011, with the Cotlook A Index reaching a record of $2.44 per pound on March 8, 2011. That was almost three times the value of the index on August 1, 2010, the first day of the season. The Cotlook A Index averaged $1.58 per pound over the first eight months of the season, twice as high as the 2009/10 average. The main factors behind the surge in prices this season include low world stocks, lower-than-expected production, robust demand and panic buying at the beginning of the season, which rapidly exhausted the limited available supply. The world ending stocks-to-use ratio is estimated at 35% in 2009/10 and at 33% in 2010/11, down from a ten-year average of 50%.

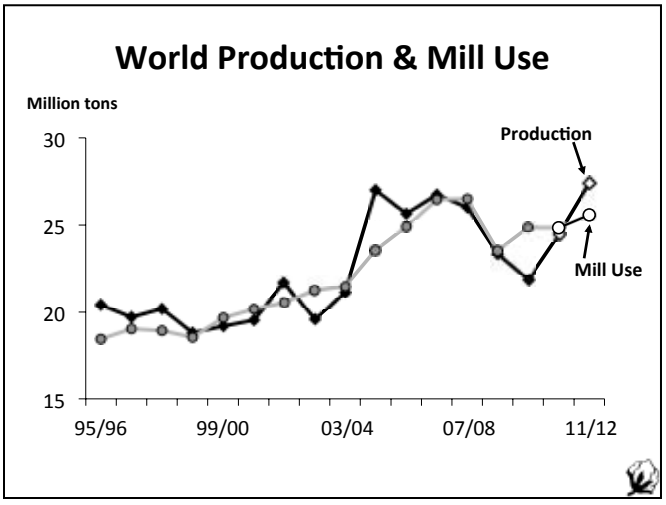
Cotton prices this season have also been extremely volatile. The volatility in the Cotlook A Index, estimated by calculating the spread between the minimum and the maximum values of the Index reached over a given period, and dividing it by the average, amounted to 99% through March 31, 2011. This exceeds by a large margin the ten-year average volatility of 32% and also the previous highest seasonal volatility of 80% recorded in 1986/87. Since early February 2011, daily changes in the nearby futures price reached limit up or down one day out of two. Purchases of cotton by importers have been unusually advanced during 2010/11, and the scarce uncommitted supply continues to provide strong pressure on prices and cause increased volatility.

World cotton production is estimated up by 12% during 2010/11 to 24.5 million tons, rebounding after three consecutive years of decline. Production is expected to continue to rise by 12% to a record of 27.4 million tons in 2011/12, driven by an









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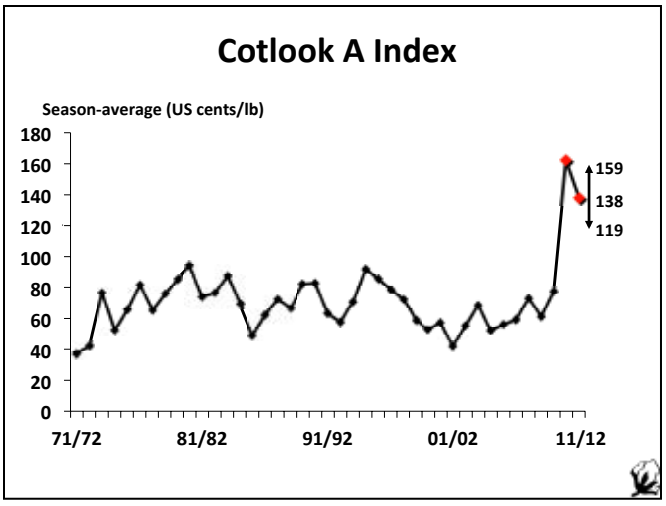
expansion in plantings in most producing countries. However, the projected increases in cotton area (+8%) and production are relatively small responses to the doubling of prices in 2010/11. Competition from food crops and limited available resources (including land, seeds, water, and equipment) are preventing cotton area from rising further in 2011/12.

World cotton mill use started to recover in 2009/10 due to the improved global economic environment, and robust demand from spinning mills was observed during the first half of 2010/11. However, very high cotton prices and temporary shortages of supply are expected to limit mill use expansion during 2010/11 to 24.8 million tons, almost unchanged from 2009/10. No growth in mill use is projected for most of the major consuming countries, except for India. Rising cotton supplies will feed demand in 2011/12, but high prices and competition from chemical fibers are expected to limit growth in mill use to 3%.

World cotton production is projected to exceed mill use in 2011/12 by 1.8 million tons. As a result, ending stocks are projected to increase to 10.1 million tons in 2011/12. The stocks-to-use ratio is projected to rebound from 33% in 2010/11 to 40% in 2011/12, still below the long-term average.

Based on a price estimate for 2010/11 of $1.62/lb, the ICAC Price Model forecasts a 2011/12 season-average Cotlook A Index of $1.38/lb. The 95% confidence interval extends from



$1.19 to $1.59 per pound. This forecast implies a 15% decline with respect to the 2010/11 estimate, but would remain considerably higher than the ten-year average of 60 cents per pound prevailing from 2000/01 to 2009/10. However, caution must be exercised since all commodity markets are subject to great uncertainty. As with any model, the ICAC Price Model is based on a limited number of explanatory variables. Furthermore, the explanatory variables are themselves preliminary estimates or projections obtained under imperfect information.

COTTON PRICE TRENDS IN 2010/11

By Armelle Gruère and Alejandro Plastina, ICAC

Record International Cotton Prices

International cotton prices have increased sharply since the start of this season. The Cotlook A Index was 86 cents per pound on August 1, 2010; it reached a record of $2.44 per pound on March 8, 2011. The increase was almost continuous over the course of the season, and the monthly average gain was 20 cents per pound. It is the first time in cotton history that such a fast and large price increase was recorded.

With four months left in the season, it is obvious that the 2010/11 average Cotlook A Index will be the highest ever. The Cotlook A Index averaged $1.58 per pound over the first eight months of 2010/11, twice as high as the average over the same period in 2009/10 and 64 cents higher than the previous record of 94 cents per pound reached in 1994/95.

The jump in cotton prices during 2010/11 was caused mainly by strong market fundamentals. Global cotton stocks fell significantly in 2009/10, reaching a 15-year low of 8.7 million tons. This marked the end of a five-year period of high stocks, started in 2004/05. The stocks-to-use ratio dropped in 2009/10 to a 20-year low of 35%. The current season thus started with low global stocks. Firm demand for textile products and the expectation of reduced cotton supplies pushed spinning mills to buy early in the season and in large quantities. As a result, even before mid-season the level of uncommitted cotton was very low, fueling further rises in prices. Short-term demand for cotton remained strong despite high prices, suggesting a relative inflexibility of spinners to modify their yarn production commitments. In addition, shipments by India, the second largest exporter, were capped by the government at 1 million tons in 2010/11, 30% less than in the previous season. Global cotton production rebounded by 12% to 24.5 million tons in 2010/11. However, over 40% of the global production increase in 2010/11 took place in the Southern Hemisphere and was not physically available until late in the season (while most cotton mill use takes place in the Northern Hemisphere). Global cotton mill use is estimated stable at 24.8 million tons this season. As a result, world cotton stocks will decrease to 8.3 million tons and the stocks-to-mill use ratio to 33%.

Record Price Volatility in 2010/11

The Cotlook A Index increased by 175% from 86.3 cents per pound in August 2, 2010 to $2.38 per pound on March 25, 2011. On average, the A Index increased by 0.9 cents daily

Figure 1: Average Daily Changes in the A Index

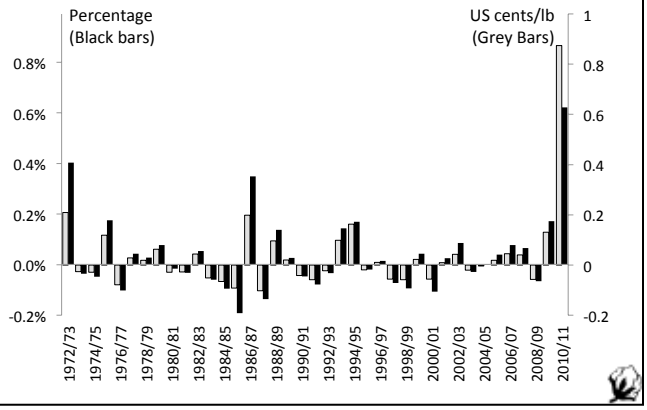
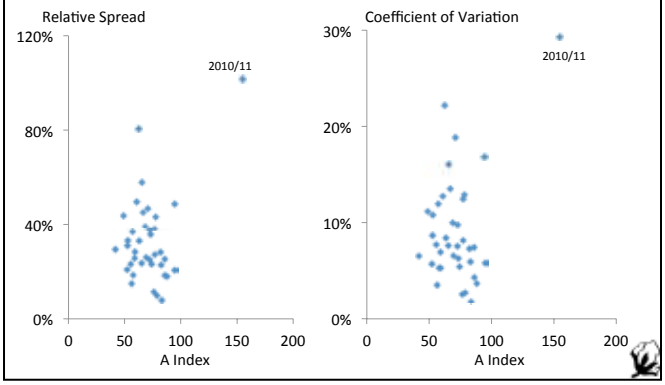


Figure 3: Average A Index vs. Volatility Measures by Seasons



during the current season. This daily average increase is the highest since the A Index was first published (grey bars in Figure 1). The previous record amounted to 0.2 cents in 1972/73. The same conclusion can be reached when average daily percent changes are considered (black bars in Figure 1).

The ICAC Secretariat usually reports volatility in terms of the relative spread and the coefficient of variation of prices during the season. These volatility measures have the advantage of measuring the dispersion of prices relative to the season average price. The relative spread is the ratio of the difference between the maximum price and the minimum price to the average price observed during a season. The maximum value of the A Index during the current season to the end of March was reached on March 8, 2011 at $2.44 per pound, while the minimum corresponded to the first day of the season. The Index averaged $1.58 per pound in 2010/11 (to the end of March). In the current season, the relative spread of the A Index amounts to 102%, the highest on record. The second highest relative spread of the A Index was registered in 1986/87 and amounted to 81% (grey bars in Figure 2).

The coefficient of variation is calculated as the ratio of the standard deviation of daily prices to the average price observed during a season. For 2010/11, the coefficient of variation of the A Index amounts to 29%, the highest on record. The second highest coefficient of variation of the A Index was observed in 1986/87 and amounted to 22% (black bars in Figure 2).

This season, cotton prices are not only at record levels but also present extreme volatility. However, historically, there has been no clear-cut relationship between the level of prices and their volatility (Figure 3).

In this section, three alternative measures of price volatility based on daily observations of the A Index are analyzed. The absolute value of daily changes in the A Index is used to calculate the average daily absolute price change in each season (grey bars in Figure 5). This measure of price volatility indicates the average daily change in the A Index counting both price increases and price declines as if they were both increases. The current season is the most volatile, but the ranking of other seasons from most to least volatile differs from Figures 2 and 3. According to this measure of volatility, the second most volatile season was 2008/09, followed by 2007/08 and 2009/10. Similar conclusions can be reached when average daily absolute percentage changes are considered (black bars in Figure 4).

Figure 2: Relative Spreads and Coefficients of Variation of the A Index

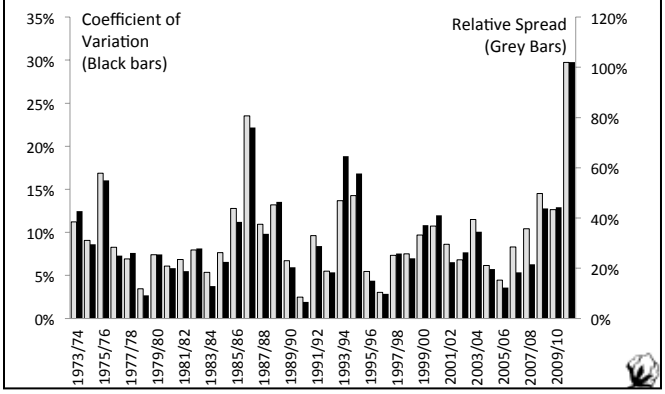


Figure 4: Average Daily Absolute Changes in the A Index

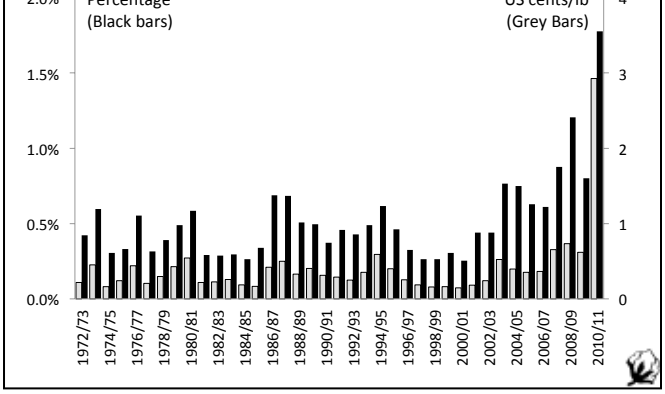


Figure 5: Average Standard Deviation of the A Index over 20-day periods

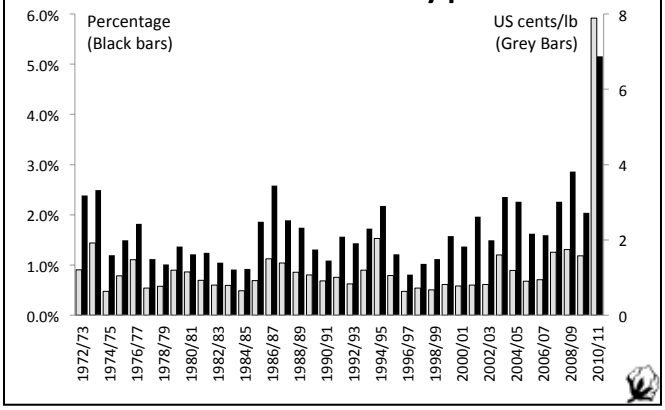
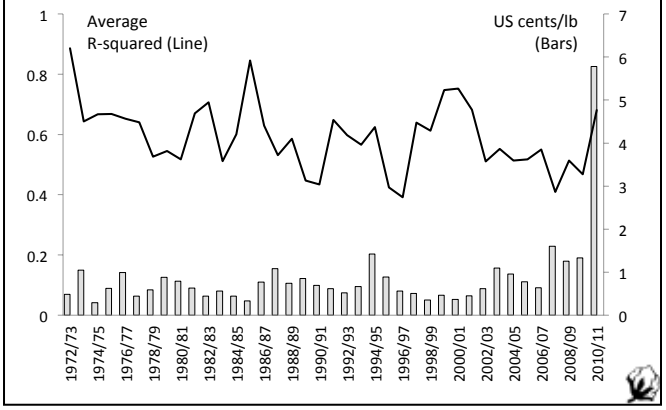


Figure 6: Mean Absolute Forecast Error for the A Index



A second measure of volatility is the season average standard deviation of the A Index over 20-day periods. This measure has the advantage of calculating the dispersion of prices with respect to the average price over the most recent month, rather than over the entire season. The season average standard deviation of the A Index amounted to 7.9 cents in 2010/11, almost 4 times the second largest standard deviation observed in 1994/95 (grey bars in Figure 5). Similar conclusion can be reached when the standard deviations are expressed as a percentage of the average over the 20-day periods, i.e. the coefficient of variation (black bars in Figure 5). Furthermore, the historical correlation between the standard deviation for 20-day periods and the absolute value of daily changes in the A Index is 0.98 (or 0.85 excluding 2010/11). Therefore, the season average standard deviation of the A Index and the season average absolute value of daily changes in the A Index produce similar results as measures of volatility in cotton prices

The third measure of volatility is the mean absolute forecast error, calculated as the average daily absolute difference between the observed and a projected value of the A Index. The projected value is the forecast of the A Index obtained using a simple regression with a constant and a linear trend over the previous 20 days as the only variables in the model. The advantage of this measure is that volatility is calculated with respect to a trend rather than an average, so when prices follow steadily increasing or decreasing trends, this measure of volatility provides more insights than the previous ones[1]. The degree of relevance of this measure of volatility can be gauged by the average R-squared of the regressions over the season (one regression is run for every day of the season)[2]. If the average R-squared is high, then the mean absolute forecast error is a reasonable measure of volatility with respect to the trend. On the contrary, if the average R-squared is low, then the mean absolute forecast error is not a reasonable measure of volatility with respect to the trend, because the trend is not significant. Considering an average R-squared of 0.6 as the minimum cut-off point for this measure of volatility to be relevant, 2010/11 tops the list of most volatile seasons, followed by 1994/95 and 1973/74 (Figure 6).

All five measures of cotton price volatility considered here show that volatility of cotton prices is at record levels in 2010/11.

Conclusions from the ICAC/World Bank Seminar on Cotton Price Volatility

On February 8, 2011 the ICAC, in cooperation with The World Bank, organized a seminar on "Cotton Price Volatility: Transparency of Cotton Supply and Use and Trade Policies."[3] According to the Secretariat, the rise in prices during the current season is driven primarily by strong demand. The Secretariat indicated that the roots of the current rise in cotton prices were established during the recession in 2008 and 2009 when inventories throughout the cotton value chain were drawn lower. As consumer demand rebounded with unanticipated vigor in 2010, participants in the cotton value chain scrambled to fill pipeline stocks, resulting in upward pressure on prices. The Secretariat noted that volatility in cotton prices was high during 2010, but that there has been no trend increase in cotton price volatility since the 1980's and that volatility in cotton is not unusual compared with volatility in prices of other commodities.

There was agreement that governments could facilitate better decision making in the cotton value chain by improving efforts to collect and publish timely, relevant, accurate statistics on cotton supply and demand, and particularly data on physical

1) This measure of volatility was suggested to the Secretariat by Mr. James Johnson, delegate of the United States to the ICAC Standing Committee.
2) The R-squared is a measure of the goodness of fit of the statistical model to the data, ranging from 0 to 1, with higher values representing better explanatory power of the model.
3) The documents of the seminar are available at http://www.icac.org/meetings/2011/price_volatility/english.html

stocks. Universal use of metric measures in reporting cotton supply and use would promote international transparency and market efficiency.

Participants agreed that government policies that are transparent and well publicized would facilitate better private sector planning. Participants from the private sector noted that markets can adapt to changes in policies, but it was agreed that frequent changes in domestic and trade policies force market adjustments that result in added price volatility.

A majority of seminar participants agreed that no policy response to the current situation of high and volatile cotton prices is necessary, except that governments should be encouraged to improve the collection and reporting of statistics on cotton supply and use, especially stocks, and that governments should strive to maintain a stable policy environment. Participants heard that high prices will "cure" high prices by encouraging increased production.

Participants also noted that in the reports by both the ICAC Secretariat and The World Bank Secretariat, it was suggested that the situation of scarcity can best be alleviated in the long run through investments in agricultural productivity. Accordingly, seminar participants agreed that governments should increase investments in agricultural productivity, particularly in developing countries with large numbers of smallholder producers.

IMPACT OF EXCHANGE RATES ON COTTON PRICES IN DOMESTIC CURRENCIES

	Domestic Currency/US$			A Index		
	3/15/10	3/15/11	% Change	3/15/10	3/15/11	% Change
				U.S. cents/lb		
				85.00	226.60	167%
				Domestic currency/lb		
Argentina	3.86	4.03	4%	3.28	9.14	178%
Australia	1.10	1.00	-8%	0.93	2.28	145%
Bangladesh	70.5	71.7	2%	59.9	162.5	171%
Brazil	1.77	1.67	-6%	1.50	3.77	151%
CFA Zone	488	469	-4%	414	1,063	157%
China	6.84	6.57	-4%	5.81	14.89	156%
Colombia	1,937	1,883	-3%	1,646	4,267	159%
Egypt	5.51	5.95	8%	4.69	13.47	187%
Euro Zone	0.73	0.72	-2%	0.62	1.62	162%
India	45.6	46.0	1%	38.7	104.3	169%
Indonesia	9,200	8,780	-5%	7,820	19,895	154%
Japan	91	81	-10%	77	184	139%
Kazakhstan	149.31	146.05	-2%	126.91	330.95	161%
Mexico	12.56	11.99	-5%	10.67	27.17	154%
Nigeria	152.7	155.8	2%	129.8	353.1	172%
Pakistan	85.4	85.7	0%	72.6	194.2	168%
Paraguay	4,816	4,340	-10%	4,093	9,834	140%
Peru	2.90	2.77	-4%	2.46	6.28	155%
Russia	29.4	28.8	-2%	25.0	65.2	161%
South Korea	1,135	1,138	0%	965	2,579	167%
Syria	46.9	46.7	0%	39.8	105.8	166%
Taiwan	31.8	29.6	-7%	27.0	67.0	148%
Tanzania	1,379.1	1,523.0	10%	1,172.2	3,451.1	194%
Thailand	32.7	30.5	-7%	27.8	69.0	149%
Turkey	1.530	1.581	3%	1.300	3.582	175%
Turkmenistan	3	3	0%	2	6	167%
Uzbekistan	1,547	1,674	8%	1,315	3,794	189%
Vietnam	19,186	20,875	9%	16,308	47,303	190%
Zambia	4,725	4,850	3%	4,016	10,990	174%

Source of exchange rates: http://www.oanda.com/convert/fxhistory

Small Impact of Variations in Exchange Rates

International cotton prices are quoted in U.S. dollars. Therefore, when their variations are moderate, exchange rate fluctuations can have an important influence on domestic cotton prices in specific countries. In the twelve months to March 15, 2011, the Cotlook A Index jumped by 167% to 226.60 U.S. cents per pound, dwarfing the weakening of the U.S. dollar over the same period, (the U.S. dollar weakened slightly against major currencies, with most variations lower than 10%). As a result, most of the considerable increase in international cotton prices that took place over the last year was reflected in domestic currencies.

Trends in Cotton Prices Received by Farmers

Cotton prices in major producing countries increased considerably in 2010/11. However, prices received by farmers often did not increase as much as the trend in international prices suggests. In the United States for example, many farmers sold their cotton early in the season, before prices hit their peak. As a result, the increase in U.S. cotton farm prices was less significant than the increase in U.S. spot prices. The average of monthly U.S. cotton farm prices between August 2010 and February 2011, as reported by the USDA, was 80 cents per pound, 40% higher than the average over the same period in 2009/10. There is little published data on farm prices for countries other than the United States, but it is possible that a large portion of the crop in Northern Hemisphere countries was sold early in the season, right after harvest, as prices were then quite attractive to farmers compared to previous seasons, but still much lower than prices later in the season. Farmers in the Southern Hemisphere may be able to sell their cotton at higher prices in early and mid-2011, but forward sales are important in Australia and Brazil. In March 2011, the Australian Bureau of Agricultural and Resource

Economics (ABARE) projected the average index of cotton prices received by farmers at 132.9 in 2010/11, "only" 28% higher than in 2009/10[4]. In countries where farmers are paid a fixed seedcotton price (such as in West Africa), the increase in prices paid to farmers was significant but did not generally match the increase observed in international cotton prices.

Evolution of Price Differentials between Qualities

The Cotlook A Index has increased significantly since the beginning of this season. An examination of the different quotes published by Cotlook shows that prices of different qualities of internationally traded cotton rose in the same way, keeping price differences amongst various qualities similar to what they were a year ago[5].

For cottons originating from Australia, West Africa, India and Uzbekistan, price premiums associated with higher quality cotton remained stable in absolute terms in 2010/11 compared to 2009/10, but the premiums expressed in relative terms narrowed. For example, the price premium for Burkina Faso's Bola variety, when compared to Burkina Faso's Rudy variety, averaged 1.79 cents per pound in 2009/10 and 1.75 cents per pound in 2010/11. As a result the premium for Bola decreased from 2.3% to 1.3%. Similarly, the premium for Australia's Strict Middling cotton, when compared to Middling cotton, averaged 2.50 cents per pound in 2009/10 and 2.22 cents per pound in 2010/11. As a result the premium for SM cotton decreased from 2.7% to 1.5 %.

Figure 7: Price Differences Amongst Qualities
(Higher grade minus medium grade)

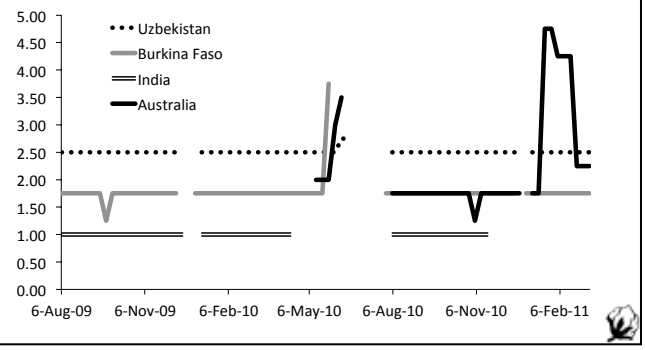
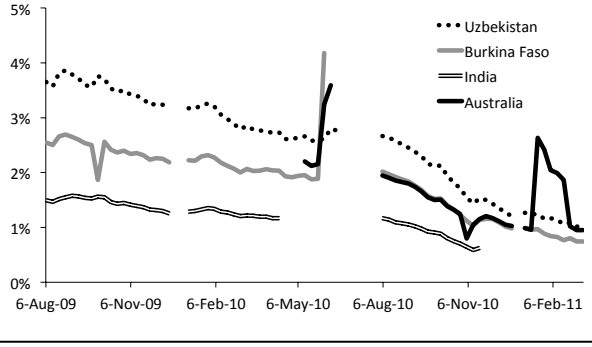


Figure 8: Price Differences Amongst Qualities
(Higher grade compared to medium grade)



For U.S. cotton, price premiums associated with higher quality increased in absolute terms in 2010/11 when compared to 2009/10. As a result, the premiums expressed in relative terms remained relatively stable. For example, the price premium for California Acala SJV Strict Middling cotton when compared to California Arizona Middling cotton averaged 6.82 cents per pound in 2009/10 and 10.53 cents per pound in 2010/11. The premium for California Acala SJV Strict Middling cotton increased from 7.9% to 9.0%.

Cotton Prices Increased Faster Than Prices of Competing Crops

Farmers' crop choices depend on several factors, including expected net revenues from alternative crops. Major crops that compete with cotton include maize, wheat, soybeans, rice and sugarcane.

Prices of maize, wheat and rice declined significantly in 2009/10, but they resumed strong growth in 2010/11. Soybean prices had declined only slightly in 2009/10 and also grew considerably this season. Sugar prices fell in 2009/10 but experienced a sharp increase in 2010/11[6].

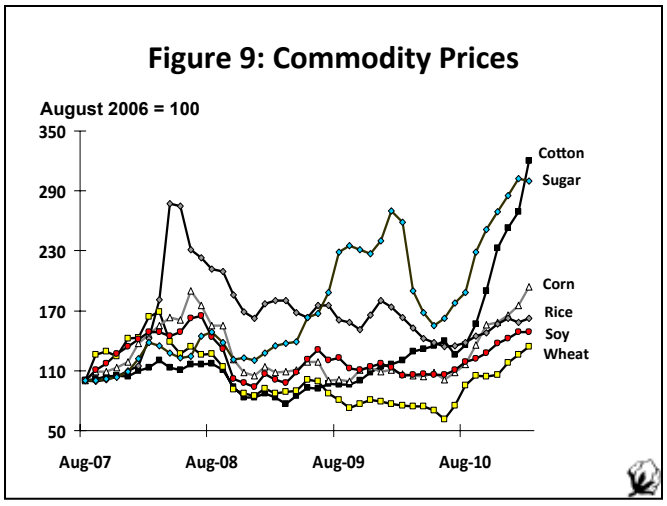
The growth in cotton prices during 2010/11 was so large that it outgrew growth in prices for most competing commodities, with the exception of wheat. As a result, the price ratios of cotton to maize, soybeans, rice and sugar, calculated at planting time in the Northern Hemisphere (which accounts for almost 90% of world cotton production), rose in 2011. The price ratio of cotton to wheat increased only very slightly.

4) Indexes of prices received by farmers, published in Australian Commodities, vol. 18 no 1, March quarter 2011. The indexes for commodity groups are calculated on a 1997 100 chained weight basis using Fisher's ideal index with a reference year of 1997–98. Indexes for most individual commodities are based on annual gross unit value of production.

5) The season-average premiums and discounts were calculated from weekly values published in Cotton Outlook.

6) Season-average prices for commodities are estimated by averaging monthly quotes published by The World Bank in the "Pink Sheet" up to June 2010 (Soybeans (US), c.i.f. Rotterdam; Maize (US), no. 2, yellow, f.o.b. US Gulf ports; Wheat (US), no. 1, hard red winter, ordinary protein, export price delivered at the US Gulf port for prompt or 30 days shipment; Rice (Thailand), 5% broken, white rice (WR), milled, indicative price based on weekly surveys of export transactions, government standard, f.o.b. Bangkok; Sugar (world), International Sugar Agreement (ISA) daily price, raw, f.o.b. and stowed at greater Caribbean ports.)

Cotton cultivation regained some interest for farmers in 2010/11, when the price ratios of cotton to competing crops increased for the first time in several years. This year, it would seem that cotton is even more attractive than last year compared to these competing crops. However, factors other than prices will limit the expansion in cotton plantings in 2011/12 (see article in this Review: "Limited Global Cotton Production Response in 2011/12").



LIMITED GLOBAL COTTON PRODUCTION RESPONSE IN 2011/12

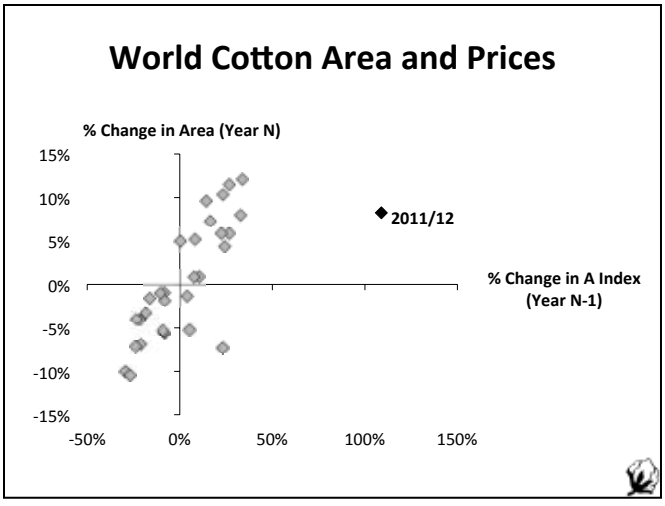
By Armelle Gruère, ICAC

Cotton prices more than doubled in 2010/11, reaching record levels above $2 a pound. This should in theory encourage a strong increase in cotton plantings. However, the Secretariat projects world cotton area to increase by only 8% in 2011/12, less than the increase in 2010/11, to 36.1 million hectares. This is equal to the record reached in 1995/96 and remains in the range of 29 to 36 million hectares experienced in the last 60 years. Factors such as competition from food crops, limits in available resources (including land, seeds, water and equipment) and weather are preventing cotton area from expanding further. Assuming a small rise in the average yield, production is expected to increase by 12% to a record of 27.4 million tons, 400,000 tons above the previous record reached in 2004/05. This article describes the factors that will affect cotton plantings in 2011/12 and gives detailed projections for the largest producing countries and regions.

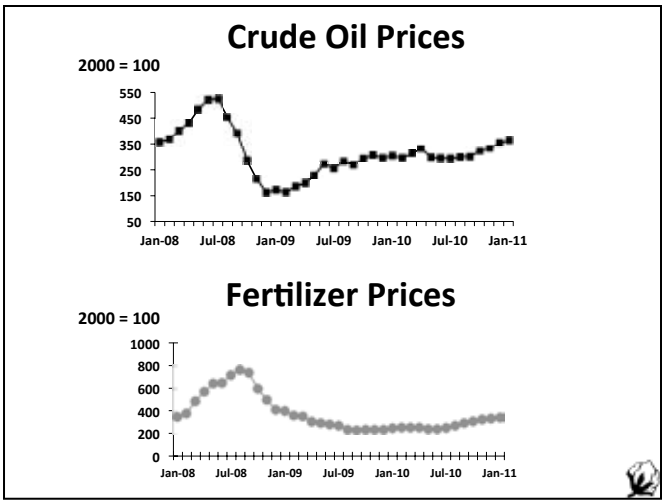
Factors Affecting Cotton Area

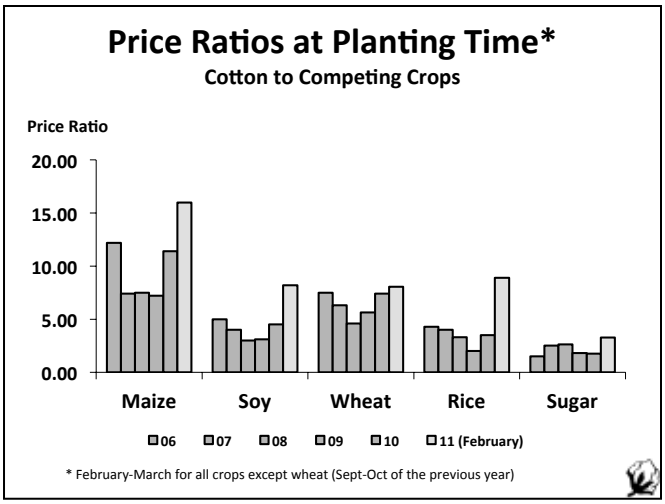
Over the last three decades, there was a significant correlation between cotton prices and area. A 10% increase (decrease) in prices in a given season was generally followed by a 3% increase (decrease) in cotton area in the following season[7]. Based on this average response, a doubling of cotton prices such as what happened in 2010/11 could in theory trigger an increase of 33% in world cotton area in 2011/12. This would raise world cotton area to a record of 44 million hectare. However, such an increase will not take place. The price jump witnessed in 2010/11 is outside the range of year-to-year variations experienced over the last three decades (-29% to +34%). Therefore, the historical correlation cannot be used to project area in 2011/12. Nevertheless, an 8% increase in area remains smaller than what could be expected. In 2010/11 for example, cotton area rose by 11% in answer to an increase in prices of 27% the previous season. As explained below, a number of factors are tempering the response of area to prices in 2011/12.

The season-average Cotlook A Index doubled from 2009/10 to 2010/11 (up to March 2011), and prices for lint and seedcotton in major producing countries increased considerably. In addition, the increase in production costs from the preceding season was moderate. As a result, despite decreased yields in some countries, for many farmers, returns from cotton increased in 2010/11. As cotton prices continued to increase in the first few months of 2011, they provided an added incentive



7) The Secretariat of the ICAC reports harvested area.





to expand cotton area in 2011/12.

Despite the recent rebound in prices of competing commodities, cotton prices increased even faster over the last few months. Therefore, the price attractiveness of cotton relative to competing crops continued to increase for farmers. However, cotton remains harder to grow than its main alternatives, and is more expensive. It requires larger quantities of fertilizer per hectare than soybeans and wheat, and larger amounts of pesticides and fuel per hectare (if machinery is used) than soybeans, maize and wheat. It also requires more knowledge and management from farmers. Farmers who abandoned cotton production over the last few years may be reluctant to return. In addition, the recent volatility of prices may deter farmers from investing too much land, effort and money into cotton.

Some regions turned away from cotton production a few years ago, resulting in the loss of cotton equipment (in particular, expensive harvesting machines) and gins. This trend may be hard to turn around in one season. It is not easy to hop in and out of cotton production. In some other areas, the available volume of planting seeds of the quality and technology desired by farmers may not be sufficient to expand cotton area as much as farmers would like in 2011/12. In irrigated cotton production areas, availability and cost of water remains the main constraint to the expansion of cotton area. Also, the availability of agricultural land may limit the expansion of cotton area in some regions.

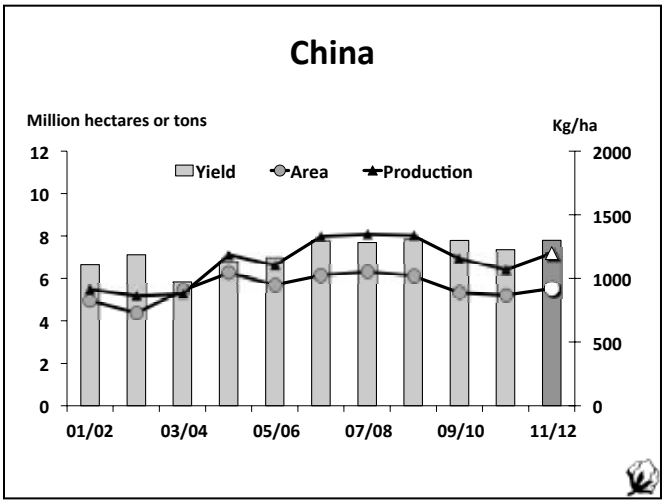
Finally, the Secretariat's projections assume a return to average weather in the United States in 2011, which would increase abandonment.

Expectations in Largest Producing Countries/Regions

China

Chinese cotton area declined in both 2008/09 and 2009/10, to 5.3 million hectares, due to a decline in revenues received by farmers and the increased attractiveness of grains. Area continued to decline slightly in 2010/11, to 5.2 million hectares, the smallest in eight years. Unfavorable weather affected the average yield, estimated down by 6% to 1,226 kg/ha. As a result, production decreased for the third consecutive season to 6.4 million tons.

Seedcotton prices increased sharply in 2010/11, and they rose much faster than prices of competing crops. In particular, the ratio of prices of cotton to grains increased significantly. Despite the drop in yields, the rise in prices should in theory encourage a rebound in cotton area in China in 2011/12. However, some external factors will limit the increase in plantings. The extreme volatility of cotton prices this season might be a concern for some producers. In addition, cotton's labor requirements are higher than those of grains, in particular at harvest time, and over the last few years labor has become more difficult to find and more costly, particularly in Xinjiang. Finally, cotton is an expensive and difficult crop, compared to alternatives. Cotton area in China is expected to grow by no more than 6% in 2011/12, to 5.5 million hectares. Assuming a recovery in the average yield to 1,300 kg/ha, production is forecast at 7.2 million tons, 12% higher than this season.



Divergence amongst Estimates of Cotton Production in China

There is a wide range of estimates of 2010/11 cotton production in China amongst Chinese organizations. Estimates vary between 5.69 million tons (China Cotton Institute) and 6.65 million tons (China Cotton Association). Some of the divergence stems from differences between estimates of 2009/10 production amongst the same organizations. However, all the organizations agree that China cotton area and yields declined during 2010/11. The Secretariat usually bases its area and production estimates on those published by the National Bureau of Statistics (NBS), after adjustment. However, the final adjustment is only possible after the area and production data by state are released by the NBS, usually at the end of the year (end of 2011 for the 2010/11 crop year).

Chinese Organization	Date of Publication of the Estimate	2010/11 China cotton production estimate
China Cotton Institute (under the China Academy of Agricultural Science)	January 2011	5.690 million tons
National Bureau of Statistics (NBS)	February 2011	5.97 million tons
National Cotton Market Monitoring System (NCMMS)	March 2011	6.057 million tons
Ministry of Agriculture (MOA)	December 2010	6.2 million tons
Beijing Cotton Outlook	March 2011	6.250 million tons
China Cotton Association (CCA)	March 2011	6.65 million tons

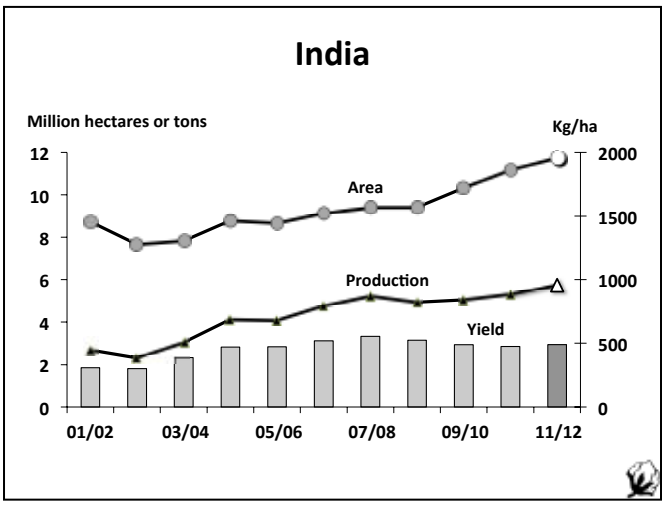
India

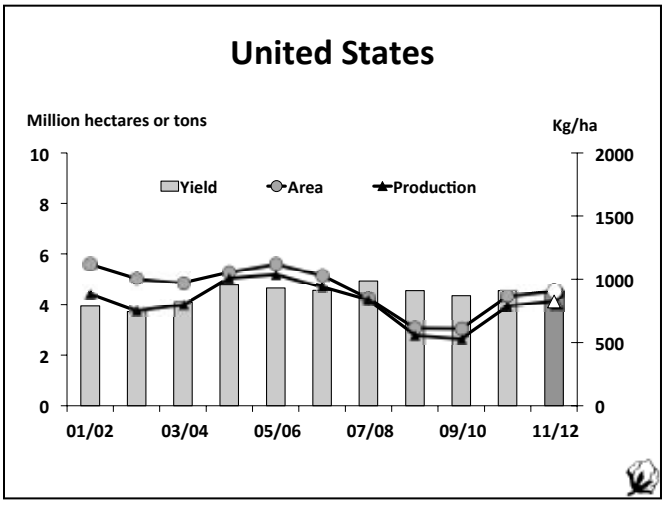
Cotton area in India rose by 8% to a record of 11.2 million hectares in 2010/11, accounting for a third of the estimated world total. Cotton plantings were encouraged by the higher cotton returns received by farmers in 2009/10. Production rose by 5% to a record of 5.3 million tons. 2011/12 plantings will take place from May to September 2011. The record seedcotton prices received in 2010/11 by farmers should encourage them to expand cotton plantings for a third consecutive season. The Secretariat forecasts area to increase by 5% to 11.7 million hectares, with most of the increase taking place in the northern part of the country. With a small increase in the average yield to 490 kg/ha, cotton production in India is forecast 8% larger at a record 5.7 million tons.

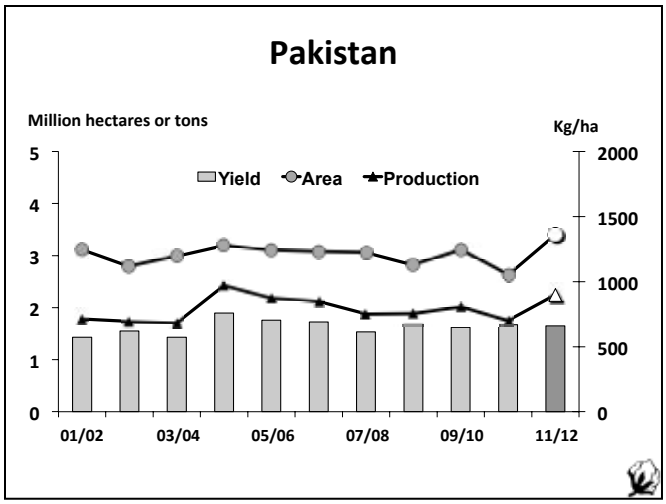
United States

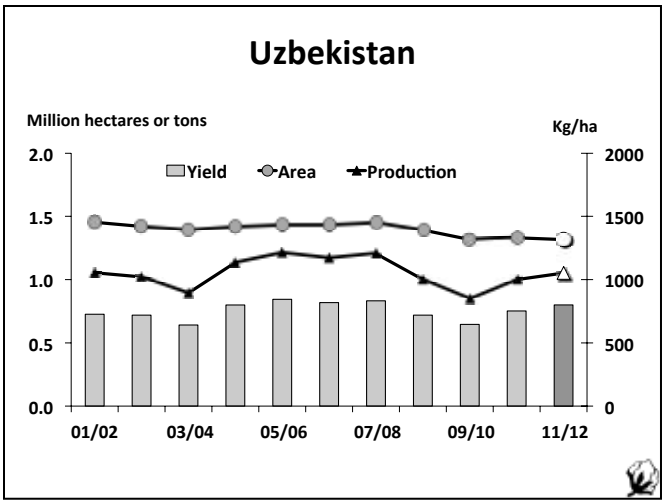
U.S. planted cotton area rose by 20% to 4.4 million hectares in 2010/11 after three consecutive seasons of decline, due to the significant increase in cotton prices and improved attractiveness vis-à-vis competing crops. High pre-planting soil moisture and overall adequate weather resulted in a much lower-than-average abandonment rate of 2%, and national harvested area was at 4.3 million hectares, up by 42% from the previous season. The average cotton yield increased by 4% to 909 kg/ha, after two years of decline. As a result, production rebounded by half to 3.9 million tons.

Cotton prices received by farmers increased significantly in 2010/11. Prices of competing grains and soybeans have









not increased as much, and cotton remains a very attractive crop. Planting intentions published on March 31, 2011 by the UDSA suggest that cotton plantings will increase by 15% to 5.1 million hectares in 2011/12. Half of this area will be in Texas. The large portion of rainfed cotton in Texas makes the abandonment rate in this area highly variable from year to year. Pre-planting soil moisture is much lower than last year, and it is unlikely that weather will be as favorable as in 2010/11. Assuming an average abandonment rate of 11% for the country, U.S. harvested cotton area is forecast up by 5% to 4.5 million hectares. The average yield is expected to remain stable in 2010/11. As a result, production is projected to rise by 5% to 4.1 million tons in 2011/12.

Pakistan

After several seasons of decline, cotton area in Pakistan recovered to 3.1 million hectares in 2009/10, encouraged by higher yields and firm seedcotton prices. Cotton plantings expanded further in 2010/11, to 3.3 million hectares, driven by a significant increase in local seedcotton prices during 2009/10. However, severe floods in August 2010 resulted in the loss of significant cotton area, and final harvestable area was estimated at only 2.6 million hectares. Production is estimated down by 13% to 1.8 million tons. Seedcotton prices increased significantly during 2010/11, reflecting the tight supply situation in Pakistan and the difficulties to procure imported cotton. As a result of the higher prices received by farmers and no major abandonment, harvested cotton area in Pakistan is expected to increase by 29% to 3.4 million hectares in 2010/11. Production is forecast up by 28% to 2.2 million tons.

Uzbekistan

Cotton plantings in Uzbekistan have in the past been little affected by variations in international prices. Between 2000/01 and 2008/09, cotton area remained between 1.39 and 1.45 million hectares. In 2009/10 the Uzbek government reduced the planting target in order to increase the production of food crops. As a result, cotton area declined by 5% to 1.3 million hectares. It remained stable in 2010/11, but production rebounded by 18% to 1.0 million tons thanks to improved weather. The Uzbek government announced a similar cotton target area for 2011/12. Assuming adequate water supplies for irrigation and a small increase in the average yield, production could increase to 1.1 million tons.

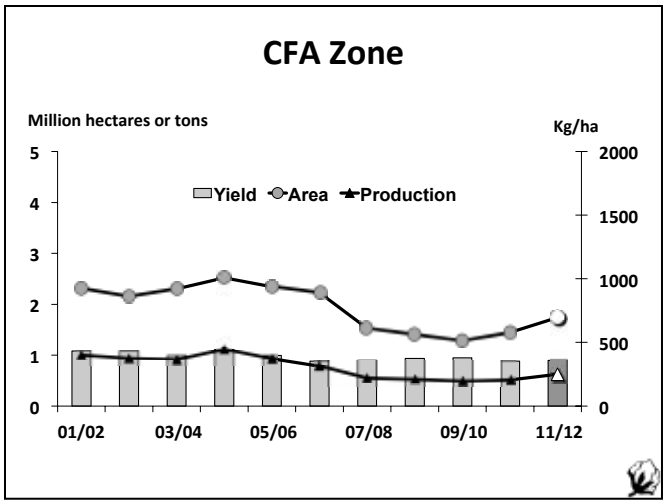
CFA Zone

After five consecutive seasons of decline, cotton production in the CFA zone[8] increased in 2010/11 by 5% to 512,000 tons, driven by the increase in seedcotton prices announced to producers at planting time. Production remains less than half the record of 1.1 million tons reached in 2004/05. The combination of lower seedcotton prices and other general problems, including poor rains, higher fertilizer prices, delayed and/or diminished input applications, and financial difficulties encountered by cotton companies, explain the continuous reduction in production in the CFA zone between 2004/05 and 2009/10. Between early 2002 and 2008, the strengthening of the CFA franc (pegged to the Euro) against the U.S. dollar offset most of the increases in international cotton prices, and exacerbated difficulties in years when world prices decreased.

Most producers in the region have received or will receive a premium on their 2010/11 crop. A few countries have already announced the seedcotton prices for 2011/12, at levels significantly higher than those paid for 2010/11. These higher prices will encourage a further increase in plantings. At this stage, cotton area in the CFA Zone is expected to expand by 20% to 1.7 million hectares in 2011/12. Assuming a stable yield, production is forecast up to 625,000 tons.

Five countries are expected to account for 90% of cotton production in the CFA zone next season: Burkina Faso, Mali, Cote d'Ivoire, Benin and Cameroon. This group of countries represented 84% of the regional production in 2004/05.

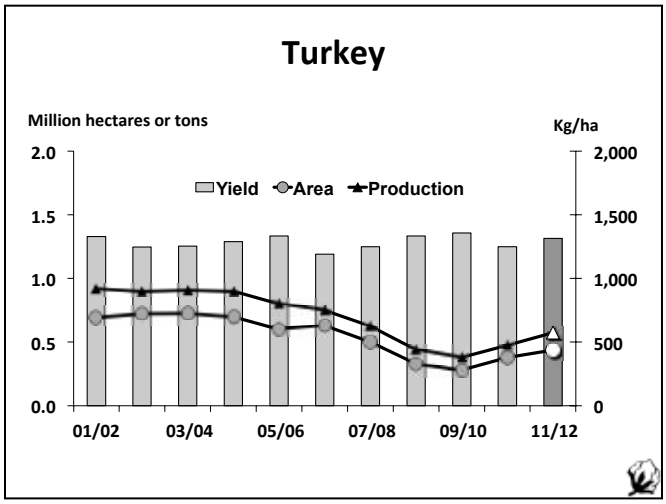
8) Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo.



Between 2004/05 and 2009/10, cotton output declined in all countries of the CFA Zone, but more particularly in Chad and Togo.

Turkey

Cotton area in Turkey declined steadily and significantly from 2004/05 to 2009/10, as decreasing returns and increasing production costs drove many farmers to switch to alternative crops (in particular maize, wheat and soybeans). Cotton area decreased from 725,000 hectares in 2003/04 to a six-decade low of 280,000 hectares in 2009/10. An increase in seedcotton prices in 2009/10, combined with government support and a decline in competing crop prices, encouraged a strong rebound in cotton plantings in 2010/11, and production is estimated at 475,000 tons, up by 25% from the previous season. The continuing significant gap between consumption and production and difficulties to import cotton in sufficient quantities drove domestic cotton prices higher in 2010/11. These prices should encourage a further increase in cotton area in 2011/12. Assuming a 15% increase in plantings to 440,000 hectares, production could climb to 575,000 tons. This would be the largest crop in four seasons.

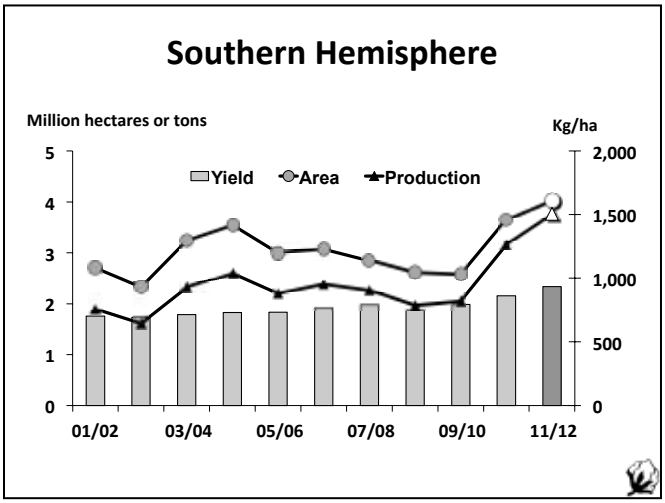


Rest of Northern Hemisphere

In the rest of the northern hemisphere, which accounts for less than 8% of world output, production is expected to increase by 9% to 2.1 million tons in 2011/12.

Southern Hemisphere

Planting decisions in the southern hemisphere will be made during the second semester of 2012 and will respond to commodity prices prevailing at that time. At this time, cotton area in the southern hemisphere is projected up by 10% to 4.0 million hectares in 2011/12. Based on recent average yields for each country, southern hemisphere production is projected to rise by 19% to a record of 3.8 million tons. The share of the southern hemisphere in world cotton production could increase to 14% in 2011/12, up from 9% in 2009/10.



Conclusion

World cotton production is expected to increase by 12% to a record of 27.4 million tons in 2011/12, driven by an expansion in cotton plantings. Area is expected to increase by 8% to 36.1 million hectares, encouraged by higher returns received in 2010/11 and firm cotton prices at planting time. The rise in cotton area is not expected to be driven by one or two countries, as was the case in 2010/11. Rather, expansions in cotton plantings are projected in most producing countries. The average yield is projected up by 4% to 759kg/ha in 2011/12. This remains lower than the levels reached from 2006/07 to 2008/09, as yields have since been stagnating or declining in a number of countries.

Over the last five seasons, the Secretariat's projections of world cotton area made at this time of the year were slightly overestimated on average (by 3%). World cotton area was overestimated by 1% in 2006/07 and 2009/10, by 4% in 2007/08 and by 11% in 2008/09. It was underestimated by 2% in 2010/11.

Weather variations greatly influence cotton yields. The Secretariat's projections of world cotton yield made at this time of the year were underestimated by 6% in 2006/07 and by 7% 2007/08. They were overestimated by 4% in 2008/09, by 7% in 2009/10 and by 3% in 2010/11.

UPDATE: PASS-THROUGH ANALYSIS OF THE COTTON SUPPLY CHAIN

By Jon Devine, Cotton Incorporated[9]

Due to magnitude of the recent increase in cotton prices, prices throughout the cotton supply chain, from yarn all the way to retail, are expected to increase. Given the many stages of the cotton supply chain, lags are expected between the time fiber prices change and the time price responses are observed downstream. In the previous issue of *COTTON: Review of the World Situation*, a description of the change in prices throughout the supply chain was presented. The analysis examined changes in world fiber, yarn, and fabric prices as well as changes in U.S. imported garment and retail prices. Considering the lagged response in latter stages of the supply chain, prices throughout the supply chain need to be continuously monitored in order to describe the effects of this crop year's unprecedented increases in fiber prices. The purpose of this article is to provide an update regarding changes in prices described previously and to supplement the discussion with additional analysis.

Updated data describing supply chain prices are presented in Table 1. From August 2010 through March 2011, cotton fiber and yarn prices respectively increased 155% and 67%. The latest data available for fabric prices refer to February 2011. In February, the price for woven cotton imports into China was 16% higher than it was in August 2010 (seasonally-adjusted data). Data regarding garments coming into the U.S. have the longest delay in terms of availability, and the most recent figures describe imports that occurred in January 2011. In these data, the average price for cotton-dominant imports was 1.4% higher than it was in August 2010 (seasonally-adjusted data). At $3.13 per square meter, the latest value is up from the low of $2.92 recorded in March 2010, but remains below the average of $3.20 between 2005 and 2008. The U.S. apparel Consumer Price Index (CPI) was essentially unchanged from its August level, and was actually down slightly (-0.05%) in the latest reading for February 2011 compared to where it was in August.

Different elements of the cotton supply chain look at margins in different ways. Manufacturing stages, such as yarn and fabric, tend to view margins in terms of profit per unit weight or square meter. Examination of the difference between fiber and yarn prices on a cost per weight basis (Figure 1) reveals that this difference has been maintained in recent months, but that the percentage of yarn prices represented by the fiber costs has increased. With fiber prices now representing as much as 70% or more of yarn prices (Figure 2), which is significantly higher than the values between 30% and 40% that were common in the past. Consequently spinning mills are facing increased risk to volatility in fiber prices.

Rising cotton prices have led to rising yarn prices. However, with expectations for the 2011/12 harvest to be the largest in history, prices for delivery next crop year are quoted 80 cents/lb lower than prices for delivery in 2010/11 (A Index for 2010/11 delivery compared to Forward A Index for delivery in 2011/12). Given the reduction in fiber prices, it could be expected that yarn prices will also fall. An important question for spinners making inventory decisions is when this decrease in yarn prices might occur. If yarn prices are equally

Table 1. Changes in Supply Chain Prices since August 2010

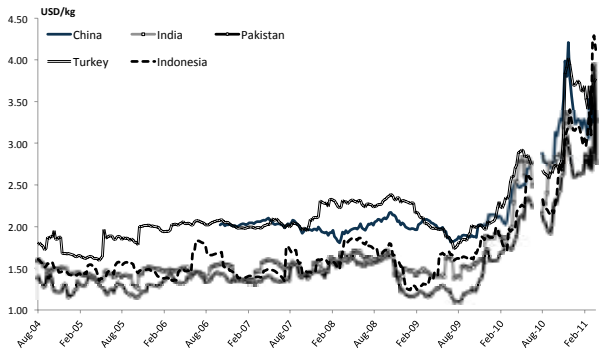
	Fiber	Yarn	Fabric	Garment	Retail
Data	A Index	Yarn Index	Chinese imports (HS 5209)	U.S. cotton-dominant imports	U.S. CPI for apparel
August value	90.35	157.99	1.88	3.09	119.92
Latest value[1]	230.37	264.43	2.19	3.13	119.38
% Change	154.99%	67.37%	16.35%	1.44%	-0.05%

Sources: A Index and Yarn Index are monthly averages from Cotlook Ltd. Cotlook's yarn index is a trade weighted average of export quotes for 20s and 30s count ring-spun yarn for woven fabric. China is the world's largest importer of cotton woven fabric (>300g/m^2); prices for Chinese woven fabric imports represent world cotton fabric prices. Garment prices are average for U.S. cotton dominant imports from the U.S. Department of Commerce, Office of Textiles and Apparel. Retail prices are represented by the U.S. apparel CPI from the Bureau of Labor Statistics. Percentage change figures for fabric, garments, and retail prices are seasonally adjusted.

[1]Latest monthly observations for fabric and yarn are for March 2011. Latest monthly observations for fabric and the U.S. apparel CPI are for February 2011. The latest value for U.S. cotton-dominant imports is for January 2011.

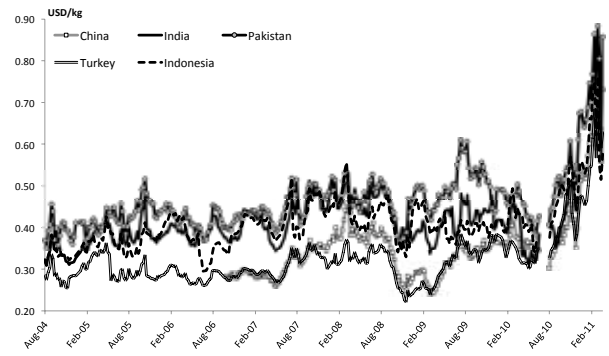
9) Manager, Supply Chain Economics, Global Product Supply Chain, Cotton Incorporated, Cary, NC, USA, phone: +1 (919) 678-2320, e-mail: jdevine@cottoninc.com.

Figure 1. Yarn Prices less Fiber Prices



Source: Cotlook yarn quotes for 20 count yarn and Cotlook A Index

Figure 2. Fiber Prices as a Percentage of Yarn Prices



Source: Cotlook yarn quotes for 20 count yarn and Cotlook A Index

responsive to fiber prices on the downside, the prospect of holding inventories purchased at levels over $2.25/lb is dangerous if yarn prices fall immediately in response to lower fiber prices.

A potential risk management strategy for mills facing this potentially significant decrease in fiber prices would be to avoid any accumulation of inventory until the new crop becomes available, stretching existing inventory and potentially idling capacity to reduce exposure to risk associated with the decline in cotton prices. While such a strategy might help mills by reducing their exposure to fiber price risk, it could imply short supplies of yarn next fall. If many mills adopt this strategy, it would effectively shift risk associated with profitability at the beginning stages of the cotton supply chain to risk of supply at later stages in the supply chain if there is not enough yarn available to meet retailer demand for textiles and apparel.

Restricted supplies have already led to reports of some re-thinking about sourcing among retailers and brands. During the recession and the time leading up to the recession, when consumer demand in developed economies was weakening, retailers were focused on costs and were concerned about accumulating inventories in an uncertain consumer environment. To attract customers during the recession, retailers lowered prices and had to look for lower costs to maintain margins. Another element of retailer risk management during this period was to keep inventory low by cutting back on orders. With fewer orders being placed, mills had to compete for customers, and a principal way to compete was through lower prices. Lower prices put pressure on margins, and lower margins resulted in little to no addition to the world's textile manufacturing capacity over the past several years.

While costs will always be an important element of any profit equation, the current supply situation has produced new questions concerning availability. Without goods to sell, there is no revenue. While higher costs can mean pressure on profits, without revenue there can be no profits. The current tightness in the world cotton's supply chain is forcing questions at the retailer and brand end of the supply chain; in the current environment of tight fiber supplies, questions related to supply may be becoming more important than costs.

To help address the question of the magnitude of eventual price increases at retail, the theoretical increases in garment prices presented in the January/February 2011 edition of the *Cotton: Review of the World Situation* are updated in Table 2. The figures in Table 2 are based on the $1.26 increase in average cotton prices (A Index) in the first quarter of 2011 ($2.07/lb) relative to the average in the first quarter of 2010 ($0.81/lb), and represent hypothetical increases in the costs of manufacturing cotton apparel if the increases in costs were due solely to the increases in fiber prices. Estimates regarding the total amount of cotton required to manufacture apparel are derived from weights observed on U.S. store shelves in retail audits conducted as part of Cotton Incorporated's Retail Monitor™ and waste factors from the USDA Economic Research Service. These weights are multiplied by the $1.26/lb increase in the price of cotton between the first quarter of 2010 and the first quarter of 2011.

As opposed to manufacturers, who generally look at margins on a per weight/unit basis, retailers tend to look at profits on a percentage basis relative to input costs. Examination of financial reports revealed a group of 15 major U.S. retailers and brands maintained an average gross margin (retail price less sourcing costs divided by sourcing cost) of 35% over the past 10 years. This implies that if retailers successfully maintain gross margins after the increase in fiber prices, retail prices will rise by a factor of 1.538[10] above any increased costs they face in sourcing garments.

10) 1.538=1 / (1 – 35%)

Table 2. Theoretical Pass-Through to Retail

Apparel Item	Total Cotton Estimated for the Manufacture of Apparel Goods(lbs)	Theoretical Effect of $1.26 lb Increase in Fiber Prices (Q1 2011 vs. Q1 2010)
T-Shirt	0.41	$0.52
Polo Shirt	0.54	$0.68
Woven Shirt	0.50	$0.63
Jeans	1.92	$2.43

Sources: Author's calculation based on Cotlook, Cotton Incorporated, USDA ERS

Table 3. Theoretical Pass-Through to Retail with Preservation of Retailer Margins

Apparel Item	Theoretical Effect of $1.26 lb Increase in Fiber Prices (Q1 2011 vs. Q1 2010)	Theoretical Increases at Retail with Maintenance of Retailer Gross Margins
T-Shirt	$0.52	$0.80
Polo Shirt	$0.68	$1.05
Woven Shirt	$0.63	$0.97
Jeans	$2.43	$3.73

Sources: Author's calculation based on Cotlook, Cotton Incorporated, USDA ERS

The theoretical increases in the price of manufacturing related to the increases in fiber prices would see further additions from tariffs, which are often assessed in percentage terms, and would be multiplied by 1.538 for the preservation of retailer gross margins. If we multiply the theoretical increases from fiber alone by 1.538, the values in the rightmost column of Table 3 are derived. Considering that these values exclude tariffs, are derived from price increases related from fiber alone, and do not include changes in labor or transport costs, the values in this column could be considered as being on the lower end of the range of potential increases in apparel prices that could eventually be expected to surface at retail.

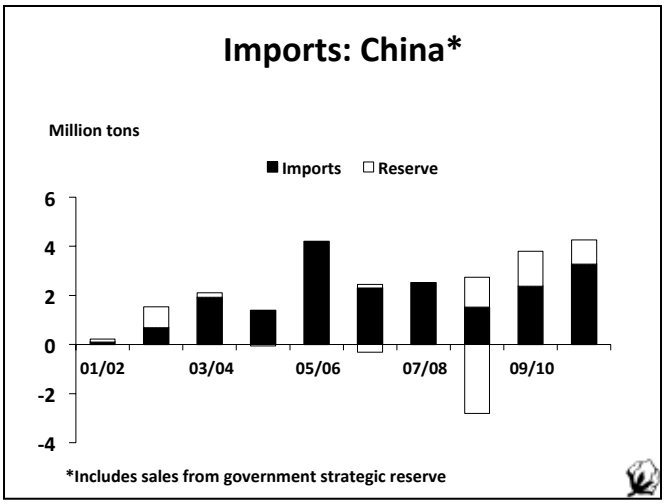
Any increases in prices at retail would be the first in decades. This is true not only in developed economies such as the U.S., but also in emerging economies like China that have become increasingly important to the world's end-use consumption of cotton goods. Over the past 15 years, the U.S. apparel CPI has declined 10%. During the same period, the apparel CPI fell by 15% in China. Given that the increases posed by higher fiber prices will be the first in recent history, there is uncertainty about how the world's consumers might respond. As price increases begin to surface at the later stages of the supply chain in coming months, it should be possible to begin examining the extent of the impact.

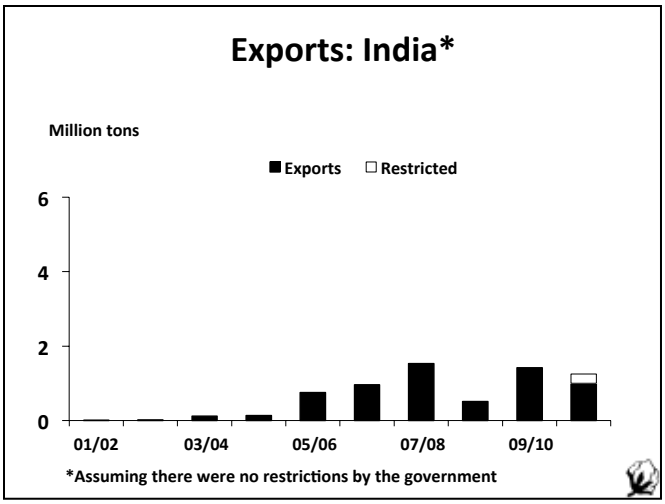
EFFECT OF GOVERNMENT INTERVENTIONS ON INTERNATIONAL TRADE VOLUMES

By Andrei Guitchounts, ICAC

China maintains significant strategic reserves of cotton. The Chinese government releases cotton to the market through a system of auctions when there is a shortage, and it replenishes the reserves when there is an abundance of supplies and prices are reasonably low. During the past decade, the largest sales of government reserves were made in 2009/10 (1.4 million tons) and in 2010/11 (1 million tons). The largest purchases for the state reserve were made in 2008/09 (2.8 million tons). Release of cotton from the reserve to domestic mills reduces the need for imports and limits growth in world trade, while purchases for the reserve boost domestic prices in China and increase world trade. Thus the Chinese government's use of the state reserve moderates domestic price fluctuations while increasing international price volatility.

In 2010/11, the Indian government restricted exports of cotton at about 1 million tons. Without the restriction, exports from India might have grown to about 1.25 million tons. Assuming exports from India could grow to 1.25 million tons in 2010/11 in the absence of export restrictions, the ending stocks-to-use ratio in India would be falling to 17%. If realized, this would be a very low level compared with the average stocks-to-use ratio of 33% maintained in India since 1990/91.





DEFAULTS ON COTTON CONTRACTS ARE RISING IN 2010/11

By Andrei Guitchounts, ICAC

Record volatility in cotton prices caused an increased number of contract defaults during 2010/11. Cotton prices tripled during this season reaching records above 2 dollars per pound. Some sellers failed to deliver cotton according to the terms of the contracts signed in mid-2010, when prices were less than $1 per pound. Not only are the numbers of defaults higher in 2010/11 than in previous years according to trade sources, but also more delays in shipments are noticeable and re-negotiations of contracts are on the rise. These events cause substantial difficulties and uncertainties for trading companies obligated to deliver cotton to spinning mills. Traders face losses if forced to replenish shortfalls at higher market prices.

The defaults also create problems for spinning mills, which experience shortages of cotton, rising costs and increased uncertainty in operations. Some mills could default on high-priced cotton if they are not able to pass increased costs to buyers of cotton yarn. Therefore cotton merchants could find themselves in exposed positions on both sides of trades. Defaults on contracts increase counter-party-risks, thus limiting the availability and increasing the cost of trade finance. Confidence in the cotton trading system is undermined by defaults.

After a sharp price spike in March 2008, caused mostly by speculation, many cotton-trading companies were weakened financially and were not able to fulfill their contractual obligations. As a result, the number of contract defaults rose sharply, and about 70 companies were added to defaults lists of CICCA member associations in 2009. During 2010/11, the steep increase in prices was caused by fundamental factors of demand strongly overgrowing supplies. This time, the expected rise in defaults is caused by some sellers choosing to take advantage of rising prices at the expense of buyers. It will become easier to evaluate the full extend of the current problem in 2012, after defaulters are added to publicly available default lists. However, based on the scope of discussions in trade circles, as well as in mass media outlets, it appears that the problem of defaults is unusually wide spread during 2010/11.

Losses suffered due to defaults could be in the billions of U.S. dollars. The value of world cotton production in 2010/11 is estimated at $90 billion. Even if defaults were associated with just 1% of world production, the value of cotton involved would be $900 million. However, there are some estimates indicating that defaults could be as high as 2.5% of world production valued at $2.25 billion. Not all of this value translates into losses as hedges placed by merchants could limit losses. An unusually high number of defaults occurred this season in the USA, mostly in West Texas. Losses caused by defaults in the U.S. are estimated from a quarter to a half a billion dollars. Large defaults associated with a government limit on exports are reported this season in India. Greece is another country where a large number of defaults are alleged. Southern Hemisphere countries could have concluded contracts later in the season, when prices were higher, thus providing less incentive for defaults.

To deal with the issue of increasing defaults, a continuation of efforts to harmonize trading rules is important and helps to minimize risks and the cost of doing business. Publicizing information about defaults is instrumental in deterring defaults, while an efficient arbitration system is essential in dealing with defaults. Trading with defaulters undermines the efficacy of trading rules.

2010/11 SUPPLY AND USE OF COTTON BY COUNTRY April 1, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	2	2		0	0.11	0.11
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	115	1,240	143	130	281	405	30	119	0.27	0.29
USA	4,333	909	3,941	642	1	784	3,429	371	0.09	0.47
N. America	**4,457**	**917**	**4,086**	**773**	**287**	**1,196**	**3,459**	**491**	**0.11**	**0.41**
EL SALVADOR				5	26	26		5	0.20	0.20
GUATEMALA				6	21	21		6	0.27	0.27
HONDURAS	0	316	0	1	5	5		1	0.14	0.14
C. America	**2**	**510**	**1**	**12**	**52**	**53**		**12**	**0.22**	**0.22**
ARGENTINA	550	509	280	162	10	173	55	224	0.98	1.29
BOLIVIA	5	525	3	2	9	9	3	2	0.21	0.26
BRAZIL	1,305	1,495	1,950	680	150	1,041	610	1,129	0.68	1.08
CHILE				2	10	10		2	0.21	0.21
COLOMBIA	41	825	34	14	62	95	0	14	0.15	0.15
ECUADOR	1	431	1	9	16	16		9	0.53	0.53
PARAGUAY	30	333	10	3		7	4	2	0.14	0.22
PERU	34	885	30	29	65	90	5	29	0.31	0.33
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	361	6	14	15	19	2	14	0.66	0.74
S. America	**1,981**	**1,167**	**2,313**	**915**	**337**	**1,461**	**679**	**1,425**	**0.67**	**0.98**
ALGERIA				4	10	10		4	0.37	0.37
EGYPT	157	842	133	31	65	130	74	25	0.12	0.19
MOROCCO				9	34	34		9	0.26	0.26
SUDAN	45	471	21	9		1	20	9	0.41	8.60
TUNISIA				2	10	10		2	0.24	0.24
N. Africa	**202**	**760**	**154**	**54**	**118**	**184**	**94**	**48**	**0.17**	**0.26**
BENIN	181	356	65	24		4	67	17	0.24	4.28
BURKINA FASO	374	380	142	50		4	138	50	0.35	12.56
CAMEROON	145	430	62	23		2	60	24	0.38	10.46
CENT. AFR. REP.	27	203	6	1			5	2	0.32	
CHAD	147	150	22	19		2	27	13	0.45	8.50
COTE D'IVOIRE	220	364	80	20		5	69	27	0.36	5.31
GUINEA	13	262	4	1			4	1	0.40	
MADAGASCAR				3				3		
MALI	260	400	104	25		3	90	36	0.39	11.97
NIGER	5	439	2	0		1			0.12	0.25
SENEGAL	25	413	10	2		1	10	1	0.14	1.84
TOGO	61	311	19	4			18	5	0.30	
F. Africa	**1,458**	**353**	**515**	**173**		**22**	**487**	**179**	**0.35**	**8.35**
ANGOLA	3	296	1	0		1		0	0.16	0.19
ETHIOPIA	79	236	19	29	1	24	2	23	0.88	0.95
GHANA	9	378	3	1		1		1	0.30	1.05
KENYA	42	256	11	5		12		4	0.37	0.37
MALAWI	80	300	24	8		2	13	17	1.18	7.68
MOZAMBIQUE	127	187	24	14		1	22	15	0.63	14.81
NIGERIA	300	228	68	12	1	20	40	22	0.37	1.11
SOUTH AFRICA	18	1,118	20	4	14	21	10	7	0.23	0.34
TANZANIA	400	241	97	59		24	70	62	0.66	2.58
UGANDA	100	300	30	8		1	24	12	0.48	10.65
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	270	170	46	10			39	17	0.43	
ZIMBABWE	450	289	130	72		11	103	88	0.78	8.24
S. Africa	**1,898**	**251**	**477**	**229**	**45**	**148**	**328**	**275**	**0.58**	**1.86**
KAZAKHSTAN	133	451	60	15	1	13	54	8	0.13	0.63
KYRGYZSTAN	20	750	15	4	3	2	17	3	0.15	1.46
TAJIKISTAN	165	570	94	37		8	97	26	0.25	3.38
TURKMENISTAN	640	562	360	104		115	245	104	0.29	0.91
UZBEKISTAN	1,330	752	1,000	293	1	273	750	272	0.27	1.00
C. Asia	**2,288**	**668**	**1,529**	**454**	**5**	**411**	**1,163**	**413**	**0.26**	**1.01**

2010/11 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) April 1, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	4	4		0	0.09	0.09
AZERBAIJAN	32	406	13	4		10	5	3	0.17	0.25
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				1	9	7	3	1	0.09	0.13
BULGARIA	1	321	0	4	12	11	1	4	0.31	0.34
CZECH REP.				4	10	8	3	3	0.26	0.36
DENMARK										
ESTONIA										
FINLAND					0	0				
FRANCE				2	16	13	3	2	0.12	0.14
GERMANY				6	38	32	6	6	0.16	0.19
GREECE	250	720	180	24	3	35	148	24	0.13	0.69
HUNGARY				0	2	2		0	0.11	0.11
IRELAND				0	0	0		0	0.17	0.17
ITALY				10	55	50	4	10	0.18	0.20
LATVIA				0	0	0		0	0.32	0.32
LITHUANIA				0	0	0		0	0.56	0.56
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				1	3		3	1	0.38	
NORWAY										
POLAND				1	6	6		1	0.12	0.12
PORTUGAL				6	34	34		6	0.19	0.19
ROMANIA				1	2	2		1	0.27	0.27
RUSSIA				44	120	135		29	0.22	0.22
SLOVAK REP.										
SPAIN	64	709	45	5	2	11	34	7	0.15	0.64
SWEDEN									0.23	
SWITZERLAND				0	3	3	0	0	0.12	0.13
UKRAINE				3	13	8	5	3	0.20	0.33
UNITED KINGDOM									0.22	
FORMER YUGOSLAVIA				2	8	8		2	0.25	0.25
Europe	**348**	**687**	**239**	**124**	**357**	**396**	**215**	**109**	**0.13**	**0.28**
Including EU-27	**314**	**717**	**225**	**66**	**198**	**217**	**205**	**67**	**0.16**	**0.31**
CHINA	5,220	1,226	6,400	2,780	3,232	9,998	5	2,410	0.24	0.24
TAIWAN				60	194	194		61	0.31	0.31
HONG KONG				20	73	13	60	20	0.27	1.54
Sub total	**5,220**	**1,226**	**6,400**	**2,861**	**3,499**	**10,204**	**65**	**2,491**	**0.24**	**0.24**
AUSTRALIA	590	1,422	839	115	0	9	630	315	0.49	35.71
INDONESIA	9	707	6	104	441	447	4	100	0.22	0.22
JAPAN				27	55	60		22	0.37	0.37
KOREA, D.R.	11	534	6	4	5	11		4	0.40	0.40
KOREA, REP.				43	220	220		43	0.19	0.19
MALAYSIA				10	52	52		10	0.20	0.20
PHILIPPINES	0	560	0	2	14	15		2	0.17	0.17
SINGAPORE				1	3		3	1	0.24	
THAILAND	2	511	1	85	375	374	4	83	0.22	0.22
VIETNAM	9	459	4	73	363	362		78	0.22	0.22
E. Asia	**630**	**1,371**	**863**	**466**	**1,529**	**1,557**	**642**	**661**	**0.30**	**0.42**
AFGHANISTAN	50	410	20	29		4	25	20	0.70	4.87
BANGLADESH	32	348	11	161	831	834		169	0.20	0.20
INDIA	11,161	475	5,304	1,435	91	4,611	1,000	1,219	0.22	0.26
MYANMAR	310	210	65	34		47	18	34	0.52	0.72
PAKISTAN	2,627	668	1,755	478	350	2,100	100	383	0.17	0.18
SRI LANKA				0	2	2		0	0.22	0.22
S. Asia	**14,183**	**505**	**7,158**	**2,139**	**1,274**	**7,601**	**1,143**	**1,828**	**0.21**	**0.24**
IRAN	100	676	68	35	72	140		35	0.25	0.25
IRAQ	20	356	7	1	5	13		1	0.09	0.09
ISRAEL	4	1,860	7	2			7	1	0.18	
SYRIA	172	932	161	81		165	15	61	0.34	0.37
TURKEY	380	1,250	475	363	700	1,250	7	271	0.22	0.22
Sub total	**710**	**1,032**	**733**	**490**	**807**	**1,607**	**34**	**378**	**0.28**	**0.24**
WORLD TOTAL	**33,369**	**733**	**24,461**	**8,689**	**8,310**	**24,831**	**8,310**	**8,309**	**0.33**	**0.33**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

2011/12 SUPPLY AND USE OF COTTON BY COUNTRY April 1, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	2	2		0	0.11	0.11
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	164	1,352	221	119	224	405	18	141	0.33	0.35
USA	4,534	909	4,123	371	1	762	3,266	467	0.12	0.61
N. America	**4,707**	**923**	**4,346**	**491**	**230**	**1,175**	**3,284**	**609**	**0.14**	**0.52**
EL SALVADOR				5	26	26		5	0.20	0.20
GUATEMALA				6	21	21		6	0.27	0.27
HONDURAS	0	316	0	1	5	5		1	0.14	0.14
C. America	**2**	**510**	**1**	**12**	**52**	**53**	**0**	**12**	**0.22**	**0.22**
ARGENTINA	605	514	311	224	10	177	76	292	1.15	1.65
BOLIVIA	5	531	3	2	9	9	3	2	0.21	0.26
BRAZIL	1,370	1,454	1,992	1,129	33	1,062	745	1,347	0.75	1.27
CHILE				2	10	10		2	0.21	0.21
COLOMBIA	43	829	36	14	65	96	0	18	0.19	0.19
ECUADOR	1	435	1	9	16	16		9	0.53	0.53
PARAGUAY	32	337	11	2		7	3	2	0.16	0.24
PERU	34	894	30	29	63	88	5	29	0.32	0.33
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	365	6	14	15	19	2	14	0.66	0.74
S. America	**2,105**	**1,135**	**2,389**	**1,425**	**221**	**1,484**	**835**	**1,715**	**0.74**	**1.16**
ALGERIA				4	10	10		4	0.37	0.37
EGYPT	210	846	178	25	65	126	106	36	0.15	0.28
MOROCCO				9	34	34		9	0.26	0.26
SUDAN	89	400	36	9		1	30	13	0.41	12.96
TUNISIA				2	10	10		2	0.24	0.24
N. Africa	**299**	**714**	**213**	**48**	**118**	**180**	**136**	**63**	**0.20**	**0.35**
BENIN	217	400	87	17		4	69	31	0.43	7.77
BURKINA FASO	500	380	190	50		4	160	76	0.46	18.98
CAMEROON	174	434	76	24		2	63	34	0.52	15.01
CENT. AFR. REP.	29	205	6	2			5	2	0.46	
CHAD	169	150	25	13		2	19	17	0.84	11.55
COTE D'IVOIRE	231	364	84	27		5	78	28	0.33	5.51
GUINEA	14	276	4	1			4	2	0.42	
MADAGASCAR				3				3		
MALI	312	385	120	36		3	112	41	0.36	13.66
NIGER	5	444	2	0		1			0.11	0.25
SENEGAL	30	445	13	1		1	12	2	0.20	3.20
TOGO	73	300	22	5			20	8	0.39	
F. Africa	**1,754**	**359**	**629**	**179**		**22**	**542**	**244**	**0.43**	**11.36**
ANGOLA	3	299	1	0		1		0	0.22	0.27
ETHIOPIA	83	239	20	23	1	23		21	0.93	0.93
GHANA	9	381	3	1	1	1	3	1	0.30	1.05
KENYA	44	269	12	4		12	1	3	0.28	0.30
MALAWI	84	303	25	17		2	24	16	0.61	7.13
MOZAMBIQUE	133	189	25	15		1	23	16	0.65	15.75
NIGERIA	315	230	73	22	1	19	49	27	0.40	1.42
SOUTH AFRICA	24	1,000	24	7	7	20	10	7	0.24	0.35
TANZANIA	420	244	102	62		24	65	75	0.84	3.13
UGANDA	105	303	32	12		1	29	13	0.44	11.68
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	320	180	58	17			49	25	0.52	
ZIMBABWE	473	292	138	88		11	122	94	0.70	8.72
S. Africa	**2,033**	**254**	**517**	**275**	**37**	**145**	**379**	**306**	**0.58**	**2.11**
KAZAKHSTAN	145	500	72	8	1	15	57	11	0.15	0.72
KYRGYZSTAN	20	754	15	3	3	2	16	3	0.16	1.46
TAJIKISTAN	200	530	106	26		8	92	33	0.33	4.23
TURKMENISTAN	640	594	380	104		127	232	126	0.35	1.00
UZBEKISTAN	1,316	800	1,053	272	1	275	748	302	0.30	1.10
C. Asia	**2,321**	**701**	**1,626**	**413**	**5**	**426**	**1,144**	**474**	**0.30**	**1.11**

2011/12 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) April 1, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	4	4		0	0.10	0.10
AZERBAIJAN	50	410	20	3		10	9	4	0.19	0.36
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				1	9	6	3	1	0.10	0.14
BULGARIA	1	321	0	4	11	10	1	4	0.34	0.38
CZECH REP.				3	11	8	3	3	0.26	0.37
DENMARK										
ESTONIA										
FINLAND					0	0				
FRANCE				2	15	12	2	2	0.13	0.15
GERMANY				6	33	28	5	6	0.18	0.21
GREECE	313	920	287	24	3	33	235	46	0.17	1.38
HUNGARY				0	2	2		0	0.11	0.11
IRELAND				0	0	0		0	0.19	0.19
ITALY				10	52	48	4	10	0.19	0.21
LATVIA				0	0	0		0	0.32	0.32
LITHUANIA				0	0	0		0	0.56	0.56
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				1	3		3	1	0.38	
NORWAY										
POLAND				1	6	6		1	0.13	0.13
PORTUGAL				6	32	32		6	0.20	0.20
ROMANIA				1	2	2		1	0.28	0.28
RUSSIA	1	516	1	29	124	124		30	0.24	0.24
SLOVAK REP.										
SPAIN	72	780	56	7	2	10	45	9	0.16	0.87
SWEDEN				0	0	0		0	0.24	0.24
SWITZERLAND				0	3	3	0	0	0.13	0.14
UKRAINE				3	13	8	5	3	0.21	0.35
UNITED KINGDOM				0	0	0		0	0.22	0.22
FORMER YUGOSLAVIA				2	8	8		2	0.25	0.25
Europe	**437**	**836**	**365**	**109**	**349**	**372**	**317**	**135**	**0.13**	**0.36**
Including EU-27	**385**	**893**	**344**	**67**	**187**	**205**	**302**	**91**	**0.18**	**0.44**
CHINA	5,534	1,300	7,194	2,410	3,545	10,298	5	2,845	0.28	0.28
TAIWAN				61	184	184		61	0.33	0.33
HONG KONG				20	70	12	54	24	0.37	2.08
Sub total	**5,534**	**1,300**	**7,194**	**2,491**	**3,799**	**10,493**	**59**	**2,930**	**0.28**	**0.28**
AUSTRALIA	550	1,990	1,094	315	0	8	760	641	0.83	76.49
INDONESIA	9	711	6	100	482	452	4	133	0.29	0.29
JAPAN				22	51	51		22	0.43	0.43
KOREA, D.R.	11	534	6	4	5	11		4	0.40	0.40
KOREA, REP.				43	220	220		43	0.19	0.19
MALAYSIA				10	61	54	0	17	0.31	0.31
PHILIPPINES	0	563	0	2	14	15		2	0.17	0.17
SINGAPORE				1	3		3	1	0.24	
THAILAND	2	513	1	83	412	374	4	118	0.31	0.32
VIETNAM	10	461	5	78	414	384		113	0.29	0.29
E. Asia	**591**	**1,894**	**1,119**	**661**	**1,664**	**1,576**	**772**	**1,095**	**0.47**	**0.70**
AFGHANISTAN	50	410	20	20		4	21	16	0.64	3.82
BANGLADESH	32	350	11	169	918	867		231	0.27	0.27
INDIA	11,719	490	5,742	1,219	91	4,934	776	1,343	0.24	0.27
MYANMAR	310	211	65	34		47	18	34	0.52	0.72
PAKISTAN	3,400	660	2,244	383	179	2,163	150	493	0.21	0.23
SRI LANKA				0	2	2		0	0.22	0.22
S. Asia	**15,514**	**521**	**8,085**	**1,828**	**1,191**	**8,020**	**964**	**2,120**	**0.24**	**0.26**
IRAN	125	683	85	35	55	140		35	0.25	0.25
IRAQ	20	358	7	1	5	13		1	0.09	0.09
ISRAEL	8	1,750	14	1			14	1	0.09	
SYRIA	207	1,100	228	61		165	50	74	0.35	0.45
TURKEY	437	1,315	575	271	754	1,275	7	317	0.25	0.25
Sub total	**831**	**1,113**	**925**	**378**	**843**	**1,632**	**76**	**438**	**0.28**	**0.27**
WORLD TOTAL	**36,117**	**759**	**27,403**	**8,309**	**8,509**	**25,570**	**8,509**	**10,141**	**0.40**	**0.40**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

International Workshop

Estimating Cotton Supply and Use in the 21st Century
Beijing, China
June 21-22, 2011

An international workshop under the theme: "Estimating Cotton Supply and Use in The 21st Century" will address the issue of improving systems and methodology of estimating cotton supply and use in major developing cotton economies. The two-day workshop is scheduled for June 21-22, 2011 to be held in Beijing, China. Representatives of some large producing and consuming countries are being invited to the workshop. The China National Cotton Information Center (CNCIC), subordinate to the China National Cotton Reserves Corporation under the State Council, will host the workshop. The ICAC will assist with organizing the agenda of the workshop. The International Network for Bamboo and Rattan has agreed to allow the use of their facilities for the workshop, including hotel rooms.

The workshop will provide an opportunity to discuss best practices in estimating cotton supply and use, gathering and evaluating data, and coordinating different sets of data between agencies in the largest producing countries, as well as improving accessibility of the data. The workshop is expected to produce recommendations to national government agencies and industry organizations on how to organize and improve systems of statistical estimation of cotton supply and use.

The outcome of the workshop will be beneficial to the cotton industry as a whole and will serve to improve understanding of the subject matter complexity of statistical estimation of supply and use, and the importance and the ways to improve statistical services to producers and operators of the cotton market. Better data and wider availability of data will lead to reduced price volatility and risks associated with it, will improve credit accessibility, and ultimately will result in increased profitability of cotton production.

To apply for participation and if you have any questions about the meeting, please send an email to <andrei@icac.org>.

WORLD TEXTILE DEMAND SURVEY

Each year the Secretariat of the International Cotton Advisory Committee (ICAC) conducts a world survey of yarn, fabric and apparel production and trade with the objective of tracking new developments affecting world textile fiber demand. The results of this survey, along with the latest macro and sectoral economic analysis are presented in *World Textile Demand*, an annual report published by the Secretariat before each ICAC Plenary Meeting. The 2011 ICAC Plenary Meeting will take place in Buenos Aires and Resistencia (Argentina), on September 4-10, 2011.

The ICAC is an association of governments of cotton producing and consuming countries. The Secretariat of the Committee, with offices in Washington, D.C., collects statistics and other information related to world cotton production, trade, consumption, stocks and prices (www.icac.org).

The following forms are the survey. If you wish to participate, you are kindly requested to return it to the Secretariat by June 6, 2011 in order to include the data just on time for its publication in August.

The period covered by the survey starts in 2007 to allow for data revisions from previous years. We would appreciate that you provide the latest information available for 2010.

Please note that any correspondence delivered to the Secretariat later than June 6 will not be included in the 2011 report, but it will be processed for future use.

All respondents will receive one free hard copy of the 2011 World Textile Demand and free unlimited access for a year, to its electronic version on the web.

For an electronic version of the survey, please send an email to <carmen@icac.org>.

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COUNTRY: _____

2011 ICAC SURVEY FOR THE ANNUAL REPORT ON THE WORLD TEXTILE SITUATION

				QUANTITIES							
		UNIT OF MEASUREMENT 1/	CONVERSION FACTOR TO TONS 2/	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL	2010 3/ QTR I	2010 3/ QTR II	2010 3/ QTR III	2010 3/ QTR IV	2010 ANNUAL
COTTON LINT	Mill use										
COTTON YARN	Production										
4/	Imports										
	Exports										
CHEMICAL FIBER YARN	Production										
5/	Imports										
	Exports										
WOVEN COTTON FABRICS 6/	Production										
	Imports										
	Exports										
WOVEN COTTON FABRICS -	Production										
ONLY DENIM 7/	Imports										
	Exports										
WOVEN CHEMICAL FIBER	Production										
FABRICS 8/	Imports										
	Exports										
NON-WOVEN TEXTILES 9/	Production										
	Imports										
	Exports										
TECHNICAL TEXTILES 10/	Production										
	Imports										
	Exports										
KNITTED OR CROCHETED FABRICS	Production										
TOTAL 11/	Imports										
	Exports										
KNITTED OR CROCHETED FABRICS	Production										
ONLY COTTON FABRICS 12/	Imports										
	Exports										
COTTON APPAREL	Production										
13/	Imports										
	Exports										
CHEMICAL FIBER APPAREL	Production										
14/	Imports										
	Exports										

References:

1/ Please use metric tons (one metric ton = one thousand kilograms) when possible. Otherwise, please state the units of measurement.
If a category includes articles measured in multiple units of measurement (for example, some articles are measured in thousand pairs and others in thousand units or tons), please discriminate quantities by units of measurement.

2/ If the furnished data are in pieces, meters, square meters, units or yards, please provide your best estimate of a conversion factor to metric tons.

3/ If quarterly data is not available, please furnish semiannual or annual data.

4/ Cotton Yarn. Include blends of 50% or more cotton by weight. Otherwise please specify the blend content. HS 5204, 5205, 5206, 5207.

5/ Chemical Fiber Yarn. Include blends of 50% or more chemical fibers by weight. Chemical fibers include both cellulosic and noncellulosic fibers.
Include production in the spinning industry only. HS 5401, 5402.61, 5402.62, 5402.69, 5403.41, 5403.42, 5403.49, 5406, 5508, 5509, 5510, 5511.

6/ Woven Cotton Fabrics. Include blends of 50% or more cotton by weight. Otherwise please specify the blend content. HS 5208, 5209, 5210, 5211, 5212.

7/ Woven Cotton Fabrics - Only Denim. HS 5209.42, 5211.42

8/ Woven Chemical Fibers Fabrics. HS 5407, 5408, 5512, 5513, 5514, 5515, 5516.

9/ Nonwovens, whether or not impregnated, coated, covered or laminated, of man-made filaments or other. HS 5603

10/ Technical Textiles include textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefore, whether or not impregnated; textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials; transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material and other textile products and articles, for technical uses.

11/ Knitted or Crocheted Fabrics Total: HS 6001, 6002, 6003, 6004, 6005, 6006, 6101, 6102, 6103, 6104, 6105, 6106, 6107, 6108, 6109, 6110, 6111, 6112, 6115.11, 6115.12, 6115.19, 6115.20, 6115.91, 6115.92, 6115.93, 6115.99, 6201, 6203, 6205, 6207.

12/ Knitted or Crocheted Fabrics - Only Cotton: HS 6001.21, 6001.91, 6003.20, 6005.21, 6005.22, 6005.23, 6005.24, 6006.21, 6006.22, 6006.23, 6006.24, 6101.20, 6102.20, 6103.19.10, 6103.22, 6103.32, 6103.42, 6104.12, 6104.22, 6104.32, 6104.42, 6104.52, 6104.62, 6105.10, 6106.10, 6107.11, 6107.21, 6107.91, 6108.19.30, 6108.21, 6108.31, 6108.91, 6109.10, 6110.20, 6111.20, 6112.11, 6115.19.11, 6115.19.21, 6115.20.10, 6115.92.

13/ Cotton Apparel: Include blends of 50% or more cotton by weight. Otherwise please specify the blend content. HS 6201.12, 6201.92, 6203.19.10, 6203.22, 6203.32, 6203.42, 6204.12, 6204.42, 6204.52, 6204.62, 6205.20, 6206.30, 6207.11, 6207.21, 6207.91, 6208.21, 6208.91, 6209.20, 6212.10.10, 6212.20.10, 6212.30.10

14/ Chemical Fiber Apparel: Include blends of 50% or more chemical fibers by weight. Chemical fibers include both cellulosic and noncellulosic fibers. HS 6201.13, 6201.93, 6203.12, 6203.23, 6203.33, 6203.43, 6204.13, 6204.43, 6204.44, 6204.53, 6204.63, 6205.30, 6206.40, 6207.22, 6207.92, 6208.11, 6208.22, 6208.92, 6209.30

HS refers to Harmonized System 2002.

PLEASE RETURN THIS FORM TO ICAC NO LATER THAN JUNE 6, 2011.

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				MONETARY VALUES							
		CURRENCY	EXCHANGE RATE TO US DOLLARS	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL	2010 1/ QTR I	2010 1/ QTR II	2010 1/ QTR III	2010 1/ QTR IV	2010 ANNUAL
YARN - ALL FIBERS 2/	Imports										
	Exports										
TEXTILE FABRICS OTHER THAN APPAREL -	Imports										
ALL FIBERS 3/	Exports										
APPAREL - ALL FIBERS 4/	Imports										
	Exports										
TECHNICAL TEXTILES 5/	Imports										
	Exports										
NON-WOVEN TEXTILES 6/	Imports										
	Exports										

References:

1/ If quarterly data is not available, please furnish semiannual or annual data.

2/ Yarn - All fibers: HS 5002, 5004, 5005, 5006, 5101.21, 5101.29, 5101.30, 5105, 5106, 5107, 5108, 5109, 5110, 5204, 5205, 5206, 5207, 5401, 5402.61, 5402.62, 5402.69, 5403.41, 5403.42, 5403.49, 5406, 5508, 5509, 5510, 5511.

3/ Textile Fabrics other than Apparel - All fibers: HS 5007, 5111, 5112, 5208, 5209, 5210, 5211, 5212, 5309, 5407, 5408, 5512, 5513, 5514, 5515, 5516, 5801.21, 5801.22, 5801.23, 5801.24, 5801.25, 5801.26, 5801.31, 5801.32, 5801.33, 5801.34, 5801.35, 5801.36, 7019.40, 7019.51, 7019.52, 7019.59.

4/ Apparel - All Fibers: HS 6201, 6203, 6205, 6207, 6204.51, 6204.52, 6204.53, 6204.59, 6204.61, 6204.62, 6204.63, 6204.69, 6204.11, 6204.12, 6204.13, 6204.19, 6204.41, 6204.42, 6204.43, 6204.44, 6204.49, 6206, 6208, 6209, 6212.10, 6212.20, 6212.30.

5/ Technical Textiles: 5908, 5909, 5910, 5911

6/ Nonwovens: HS 5603

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