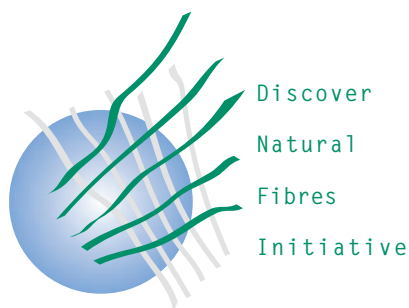




COTTON :

Review of the World Situation

International
Cotton
Advisory
Committee

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SUMMARY OF THE OUTLOOK FOR COTTON

Global Stocks and Chinese Government Policies Influencing Cotton Prices

After two consecutive seasons at relatively low levels, global cotton stocks jumped by 47% to 13.6 million tons in 2011/12. This rebound was the result of excess supplies of 4.4 million tons, coming from an 8% increase in production to a record of 27.1 million tons, and a drop of 7% in consumption to 22.7 million tons. Farmers planted and harvested more cotton in response to the high prices prevailing in 2010/11. World cotton mill use declined for the second consecutive season due to slower global economic growth and in reaction to high cotton prices.

The considerable increase in global stocks, combined with declining cotton consumption, triggered a significant decline in international cotton prices. The Cotlook A Index averaged \$1.00 per pound in 2011/12, down by 39% from its record of the previous season. However, the 2011/12 average was still much higher than the recent ten-year average of 60 cents per pound (2000/01 to 2009/10). Record imports by China, of 5.2 million tons, were the main factor preventing a more pronounced fall in international prices during 2011/12. Outside of China, cotton imports fell by 19% to 4.1 million tons, reflecting the general drop in cotton mill use.

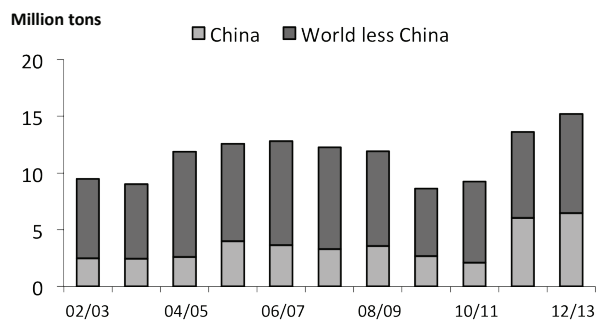
Most of the cotton imported by China in 2011/12 did not go to spinning mills but to warehouses, either owned by the China National Cotton Reserve Corporation (CNCRC) or by ports. Under its new minimum price support program, the CNCRC

purchased 3.1 million tons of domestic cotton and imported a large quantity of foreign cotton. The CNCRC purchases of domestic cotton reduced the amount of fiber available to domestic mills, increased the domestic price, and as a result boosted imports, despite a fall in Chinese cotton mill use. Because of smaller than expected import quotas released in 2012, a large quantity of cotton imported by Chinese spinners was still sitting in ports in late July 2012.

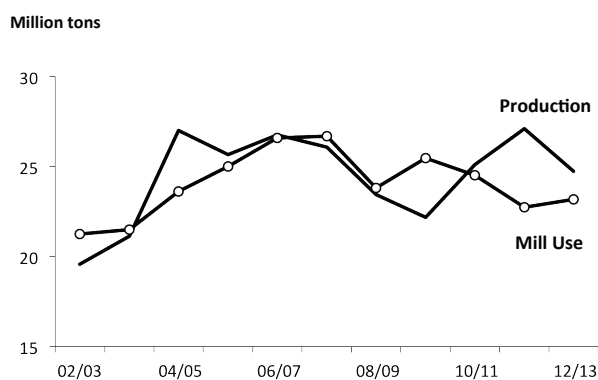
As a result, ninety percent of the gain in global cotton stocks in 2011/12 took place in China, where stocks almost tripled to 6 million tons. The Chinese national reserve grew from less than 300,000 tons at the end of July 2011 to maybe 4.6 million tons at end of July 2012. Over the same period, stocks in the rest of the world increased by only 5% to 7.6 million tons.

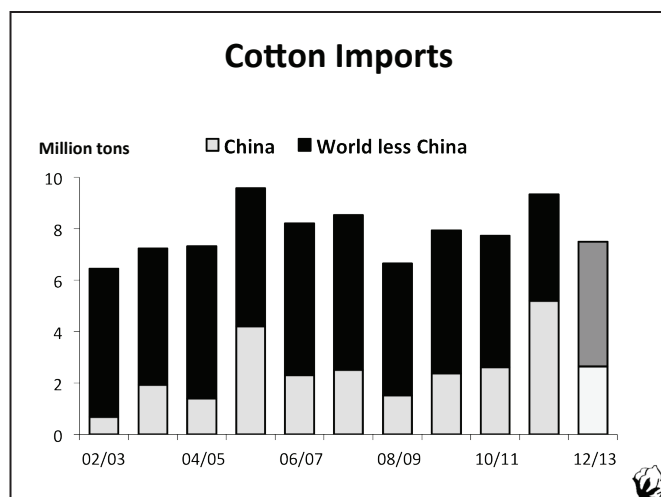
Following the plunge in cotton prices in 2011/12, world cotton production is forecast down by 9% to 24.7 million tons in 2012/13. Global cotton mill use is projected to increase only slightly to 23.2 million tons, as the rate of global economic growth is expected to remain slow and because the high domestic cotton support price in China is encouraging mills there to shift toward alternative fibers. The resulting excess supply of 1.6 million tons will cause global stocks to rise by 11% to 15.2 million tons. This time, stocks could accumulate at a faster rate outside of China than inside China. The Chinese government announced a slightly higher minimum support price for 2012/13 and is expected to buy a large portion of the new cotton crop. This suggests that the size of the Chinese national cotton reserve may increase in 2012/13, even if the government rotates some of its old stocks during the season.

World Ending Stocks



World Production & Mill Use





Assuming much lower imports by China in 2012/13 (2.6 million tons), global cotton trade is expected to fall by 20% to 7.5 million tons in 2012/13. However, imports by countries other than China could grow by 17% to 4.9 million tons, driven by lower cotton prices and a slightly higher level of consumption.

The projected accumulation of cotton stocks will weigh on international cotton prices in 2012/13, but the extent of this downward pressure will depend in large part on how the Chinese national reserve is handled and on the timing and amount of additional import quotas.



COTTON PRICE TRENDS IN 2011/12

By Armelle Gruère and Alejandro Plastina, ICAC

International Cotton Prices Decrease, but Remain High

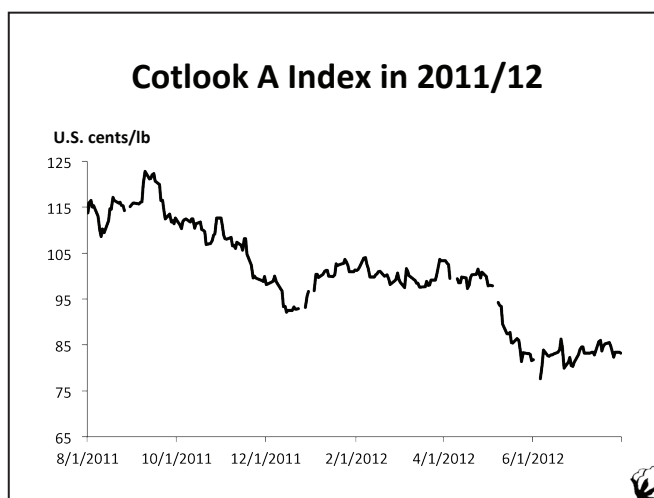
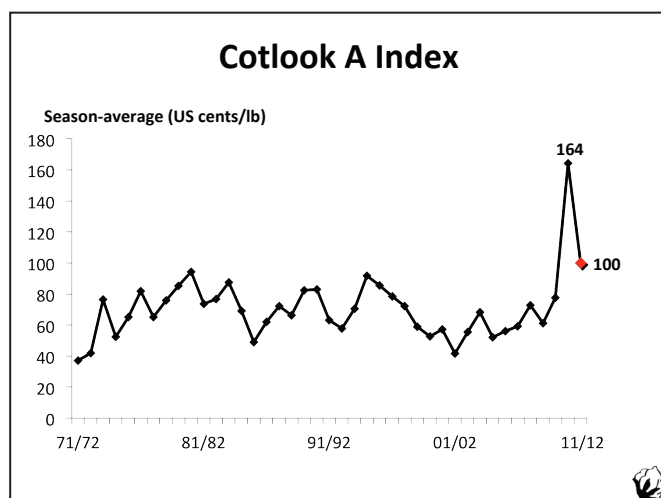
International cotton prices declined significantly in 2011/12. The Cotlook A Index (from now on referred to as the “A Index”) averaged \$1.00 per pound, 39% lower than in 2010/11. However, the 2011/12 average remains much higher than the recent ten-year average of 60 cents per pound (2000/01 to 2009/10).

The A Index followed a downward trend for most of the season. It was 114 cents per pound on August 1, 2011; at the end of July 2012 it was 83 cents per pound or 27% lower. This decrease took place in two different periods, alternating with phases of relative stability.

In the first month and a half of the season, the A Index fluctuated between 109 and 116 cents per pound. Then it

declined sharply from late September to mid-December 2011, dropping from 116 to 92 cents per pound. It stabilized around that level until the end of December 2011, before recovering to around \$1.03 per pound in late January/early February 2012. The A Index remained relatively stable over the next few months, fluctuating between 97 and 104 cents per pound. A second period of sharp decline followed starting in late April, at the end of which the A Index was at its lowest level of the season, 78 cents per pound (June 6, 2012). The A Index then remained relatively stable until the end of the season, varying between 80 and 86 cents per pound.

The trend in international cotton prices during 2011/12 was the result of a balance between two forces: strong downward pressure from increasing global stocks and weak demand, and one significant supporting factor, the large purchases made by the Chinese government to rebuild its national reserve.

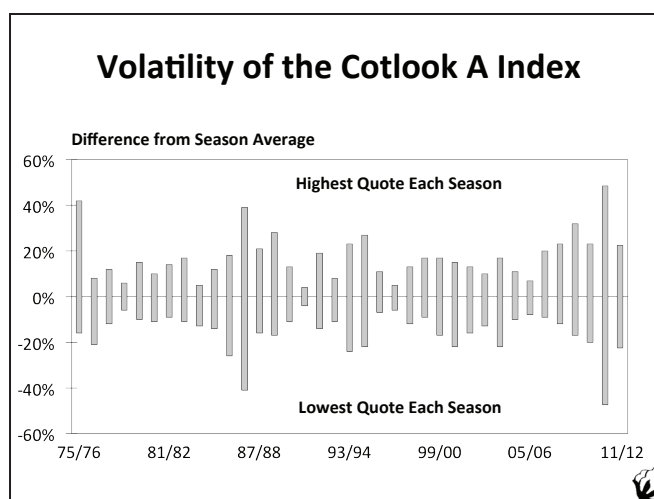


Cotton prices dropped in early August 2011, but rebounded at the end of the month due to renewed demand and some fears regarding the Pakistan and US crops. The threat of a slowdown in the global economy, combined with the arrival of the new crop and the strengthening of the U.S. dollar, triggered a sharp decline in the A Index starting in late September 2011. From October, support to Chinese and international prices started to trickle from daily purchases of Chinese cotton and imports for the national reserve. Additional support came from Chinese imports against the calendar year's remaining quota. These factors managed first to prevent an even faster fall in prices and second, to stop the decline by mid-December 2011. Prices remained stable in the second half of December. They rebounded in January, boosted by increased demand from spinners, as their yarn stocks had been drawn down, and increased optimism regarding the global economy. The relative period of stability that followed from late January to late April 2012 was once again the result of conflicting influences: an improvement in demand for cotton and continued Chinese purchases on the upside, and accumulating evidence of a large increase in global stocks on the downside. Soon it became apparent to market players that global stocks would continue to accumulate in 2012/13. This factor, maybe in combination with the reversal of the temporary ban on India's exports, was the main reason behind the sharp decline in cotton prices between late April and early June 2012. Cotton prices remained within a relatively narrow interval during the last two months of the season, with several large day-to-day variations. Despite the gloomy outlook for 2012/13 and weak demand for cotton, the amount of cotton available for trade was considerably reduced outside of China. In addition, weather concerns in some countries provided some support to prices.

Lower Price Volatility in 2011/12

The Secretariat of the International Cotton Advisory Committee received a mandate from the 69th Plenary Meeting to study the volatility of commodity prices. The results of the study¹ were presented at the ICAC/World Bank Seminar on Cotton Price Volatility on February 8, 2011. The Secretariat noted that volatility in cotton prices was high during 2010/11, but that there had been no trend increase in cotton price volatility since the 1980's, and that the volatility observed in cotton prices was not unusual when compared to the volatility of other commodity prices.²

The relative spread is a measure of volatility that indicates the dispersion of prices relative to the average price over a certain



period of time. It is calculated as the ratio of the difference between the maximum price and the minimum price to the average price observed during a crop year. The relative spread of the A Index amounted to 96% in 2010/11, three times the average relative spread between 2000/01 and 2009/10, and the highest on record.

The roots of the record high volatility observed in 2010/11 were established during the global recession in 2008 and 2009 when inventories throughout the cotton value chain were drawn lower. Strong demand and limited supply during the first eight months of the season followed by weak demand and increased supply over the last four months of the season were the major drivers of volatility. In addition, unforeseeable behavior from major cotton players such as limits on exports, actions of state-owned enterprises, defaults on contracts, and (during the first four months of the season) speculation exacerbated price volatility in 2010/11.³

In February 2012, the Secretariat reported to the 516th ICAC Standing Committee that cotton price volatility in 2011/12 was expected to decline significantly, although it would remain about one-third higher than the average volatility between 2000/01 and 2009/10.⁴

Between August 1, 2011 and July 31, 2012, the A Index fluctuated between \$1.23 per pound (September 9) and \$0.78 (June 6) per pound, and averaged \$1.00. The relative spread of the A Index in 2011/12 amounted to 45%, almost half the observed value in 2010/11, and about the same as the average volatility observed between 2007/08 through 2009/10 (43%), but still 39% higher than the average volatility observed between 2000/01 and 2009/10. Had it not been for the

1) Plastina, A., and D. Ding. 2011. "Volatility in Prices of Cotton and Other Commodities." Available online at http://www.icac.org/cotton_info/speeches/plastina/2011/paper1_2011_volatility_commodities_prices.pdf

2) The documents of the seminar are available at http://www.icac.org/meetings/2011/price_volatility/english.html

3) For a thorough discussion of the causes of volatility in 2010/11 please see "Managing the Impacts of Volatile Cotton Prices," in *Cotton: Review of the World Situation* 65(1): 7-11, September-October 2011.

4) http://icac.org/wp-content/uploads/2012/03/sc_minutes_516.pdf

significant purchases of cotton by the China National Reserve Corporation (see below), cotton prices would have declined further and the range of fluctuation would have been wider (and, therefore, volatility higher).

The projected excess production over consumption of 1.8 million tons at the world level, on top of record beginning stocks (13.7 million tons) suggests that cotton prices are expected to decline further in 2012/13. However, the Secretariat does not foresee major events that could trigger an escalation in price volatility (such as a liquidation of the stocks held by CNCRC, export bans, or major revisions to demand forecasts). On the contrary, price volatility is expected to continue approaching its lower long-term average.

Trend in Domestic Cotton Prices

How was the drop in prices in 2011/12 felt amongst various sized cotton producing and consuming countries? This section looks at trends in cotton prices in three groups of countries: 1) small trading countries, 2) medium trading countries, and 3) large trading countries and countries with trade barriers and/or price controls.⁵

Small Cotton Trading Countries

Small cotton importing and exporting countries are price takers: variations in their purchases and sales of cotton do not significantly affect international prices. If these countries are not insulated from the rest of the world, for example via trade barriers and/or a system of price control, their internal cotton prices move in parallel with international cotton prices.

The A Index is the best available indicator of world cotton prices. It is published in U.S. cents per pound. Therefore, the A index needs to be adjusted for the appropriate exchange rates to give an idea of the impact of its fluctuations on prices in small trading countries. When over a given period, variations in the A index are moderate, then exchange rate fluctuations can play an important role in domestic price trends, either benefiting or hurting various players within the domestic cotton sector when compared to their counterparts in the rest of the world. Conversely, when the A Index moves significantly in one direction (up or down), moderate variations in exchange rates do not significantly impact price trends in specific countries. In this situation, most countries around the world experience similar cotton price trends.

Table 1: Impact of Exchange Rates on Cotton Prices in Domestic Currencies

	Domestic Currency/US\$			Cotlook A Index in Domestic Currencies		
	Value	% Change		Value	% Change	
	8/1/11	7/25/12	August 11 to July 12	8/1/11	7/25/12	August 11 to July 12
SMALL TRADING COUNTRIES						
Argentina	4.1	4.6	11%	4.7	3.8	-19%
Colombia	1,719	1,792	4%	1,956	1,502	-23%
Egypt	5.9	6.1	2%	6.8	5.1	-25%
Euro Zone	0.69	0.83	19%	0.79	0.69	-12%
Japan	77	78	2%	87	66	-25%
Kazakhstan	143	153	7%	163	128	-21%
Mexico	11.7	13.6	17%	13.3	11.4	-14%
Nigeria	149	162	9%	169	136	-20%
Pakistan	85	95	13%	96	80	-17%
Paraguay	3,706	4,485	21%	4,217	3,758	-11%
Peru	2.65	2.69	1%	3.02	2.25	-25%
Russia	27.6	32.8	19%	31.4	27.5	-12%
South Korea	1,053	1,150	9%	1,199	964	-20%
Syria	46	66	43%	52	55	6%
Taiwan	28.9	30.1	4%	32.9	25.3	-23%
Tanzania	1,527	1,609	5%	1,738	1,349	-22%
Thailand	29.3	31.8	9%	33.3	26.6	-20%
Turkmenistan	2.85	2.85	0%	3.24	2.39	-26%
Vietnam	20,115	20,926	4%	22,891	17,536	-23%
Zambia	4,674	4,958	6%	5,319	4,155	-22%
Zimbabwe	373	376	1%	424	315	-26%
MEDIUM TRADING COUNTRIES						
Australia	0.91	0.97	7%	1.03	0.82	-21%
Bangladesh	72.6	83.4	15%	82.7	69.9	-15%
Brazil	1.55	2.04	32%	1.76	1.71	-3%
Indonesia	8,475	9,506	12%	9,644	7,966	-17%
Turkey	1.69	1.82	8%	1.93	1.53	-21%
Uzbekistan	1,725	1,937	12%	1,963	1,623	-17%
LARGE TRADING COUNTRIES OR COUNTRIES WITH TRADE BARRIERS						
China	6.4	6.3	-1%	7.3	5.3	-27%
CFA Zone	447	553	24%	508	463	-9%
India	43.9	56.2	28%	49.9	47.1	-6%
United States	1	1	0%	113.80	83.80	-26%

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

5) In this article, we consider that small trading countries account for less than 5% of global trade, that medium trading countries account for 5% to 15% of global trade, and that large trading countries account for more than 15% of global trade (in 2011/12).

In the twelve months from August 1, 2011 to July 25, 2012, the A Index fell by 26%, from \$1.14 per pound to \$0.84 per pound. During the same period the U.S. dollar strengthened against the currencies of most small trading countries (Table 1). Therefore, the decline in international cotton prices was not entirely reflected in these markets.

Medium Trading Countries

Australia, Bangladesh, Brazil, Indonesia, Turkey and Uzbekistan are medium cotton trading countries, with imports or exports accounting for 5% to 15% of global trade in 2011/12.

Data for Australia, Brazil and Turkey show that their domestic cotton prices followed a declining trend between August 2011 and July 2012. However, the overall drop was smaller than the one experienced by the A Index.

Large Trading Countries and Countries with Trade Barriers and/or Price Control

Countries that account for a large share of international cotton trade influence world cotton prices via their exchanges of cotton with the rest of the world. Price trends in their domestic markets do not necessarily reflect international price trends. Such countries include, in particular, the largest cotton importer, China (responsible for over half of world imports in 2011/12) and the two largest exporters, the United States and India (27% and 22% of projected world exports in 2011/12, respectively).

In addition, some governments can affect cotton prices in their domestic market via various measures, insulating them partly from international influence. Such measures can include import or export restrictions, domestic price support, and

systems with fixed farmers' prices. Examples of such countries are China, India and countries in Francophone Africa.⁶

Both types of countries are treated in this section, as some major trading countries also have policies affecting their internal prices.

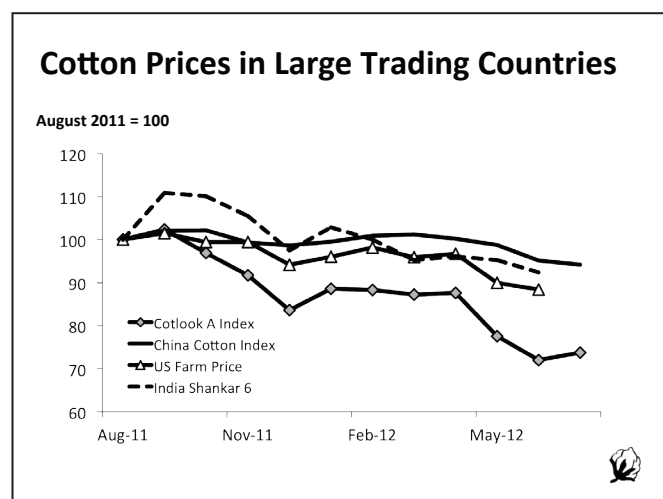
China

In 2011/12, the decline in cotton prices in China was slowed by heavy government purchases of cotton for the national reserve between October 2011 and March 2012. The objective of these acquisitions was to keep internal prices around or above the support price (19,800 yuan per ton in 2011/12). In addition, tariff-rate quotas limited the impact of lower international prices on domestic prices and kept domestic prices higher than international prices.

The China Cotton Index⁷ (CC Index) fell by 4% from 19,945 yuan per ton (US 141 cents per pound) on August 1, 2011 to 19,059 yuan per ton (US 135 cents per pound) on August 16, a continuation of an earlier trend. Then the CC Index rebounded to 20,000 yuan per ton (142 cents per pound) by the end of September. From that point it started a slow descent, affected by crop arrivals and lack of demand; it reached 19,000 yuan per ton (136 cents per pound) in early December 2011. Continuous purchases of cotton by the China National Reserve Corporation (CNCRC) finally managed to stop the decline and even lift domestic prices slightly. Between early December 2011 and February 22, 2012, the CC Index gained 3%, to 19,580 yuan per ton (141 cents per pound). However, the support provided by the CNCRC purchases started to erode due to lack of demand, and the government purchases stopped after the end of March 2012, accelerating the decline in domestic prices. Between the end of February and early May 2012, the CC Index slowly retreated, to about 19,300 yuan per ton (139 cents per pound). The decline accelerated in the next month and a half, and the CC Index had lost 7% by the end of June, to 18,200 yuan per ton (130 cents per pound). It remained at around that level until the end of the season. Overall, the CC Index lost only 8% between early August 2011 and late July 2012, compared to a drop of 26% in the A Index. The price difference with the Cotlook A Index increased from 25 cents per pound in early August 2011 to over 50 cents per pound in early June 2012, but then declined to 46 cents per pound in late July 2012.

United States

While the U.S. spot price followed the fall in the A Index closely between August 2011 and June 2012, the U.S. monthly farm price declined much less.⁸ It remained relatively stable at



6) The United States' Cotton Program provides a safety net to U.S. cotton farmers. However, during 2011/12 market prices were above the price threshold under which this safety net is implemented. Except for crop insurance, other subsidies under the U.S. cotton program were not available.

7) The China Cotton Index represents the price level of Type 328, delivered to mills, on the day preceding the date of publication. The CC Index includes the value added tax of 13% and the local transportation cost (delivered mill price). A detailed definition is available at http://www.cottonchina.org/english/cc_intro.htm.

8) Source: USDA, Agricultural Marketing Service, Cotton Price Statistics (in ERS, USDA, Cotton and Wool Outlook, various issues).

94-95 cents per pound between August and November 2011, before declining to 89 cents per pound in December 2011. In the first four months of 2012 it fluctuated between 90 and 92 cents per pound, before dropping to 84 cents per pound in May and 83 cents per pound in June. The reasons explaining the smaller decline than the one experienced by the A Index include the following: U.S. farm prices did not experience a sharp increase in 2010/11; and U.S. farmers tend to lock in a sale price for a large part of their cotton crop several months before the fiber becomes physically available. Farmers sold part of their 2011/12 crop at the end of 2010/11, when prices were still high.

India

The monthly average spot price of Shankar-6 cotton, the main variety of cotton exported from India, decreased by 8% between August 2011 and June 2012 (from 10,004 Rupees per quintal to 9,243 Rupees per quintal).⁹ The price rebounded briefly in January and February 2012, to over 10,000 Rupees per quintal, as export demand was strong, but dropped to 9,500 Rupees per quintal in the following month. Overall, cotton prices in India declined by a lesser amount than the A Index during 2011/12: they had increased less than the A Index in 2010/11, and export demand was strong during the season, which supported cotton prices.

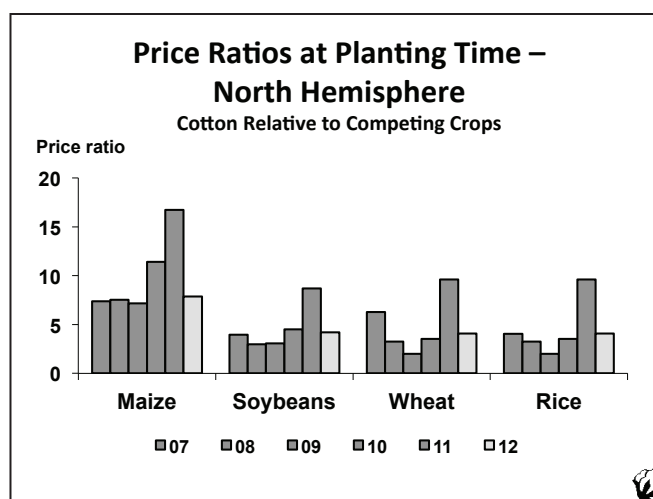
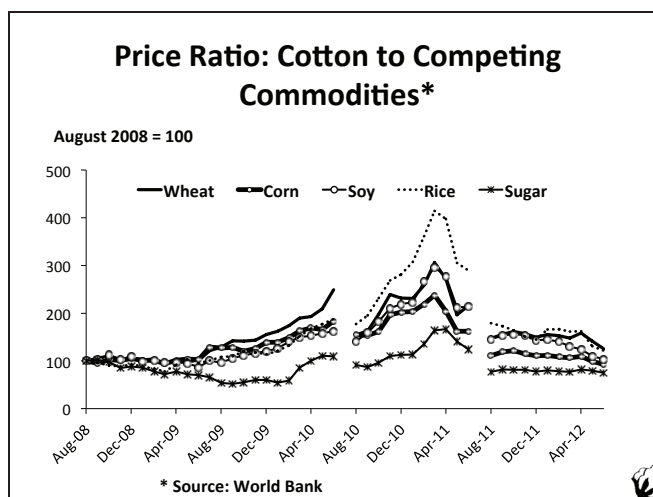
Francophone Africa

Farmer's seedcotton prices in the cotton producing countries of Francophone Africa are fixed at the beginning of the season by the cotton companies. At the end of the season, depending on the prices actually received by cotton companies and the trend in international prices, farmers sometimes obtain a premium over the initial price. The non-weighted average seedcotton price paid to farmers across eight countries of Francophone Africa was 250 CFA francs per kg in 2011/12 (equivalent to 56 cents per pound on January 1, 2012), including bonuses in Burkina Faso and Cameroon. This was 22% higher than in 2010/11. The average of prices announced for the 2012/13 season is at a similar level.

Competing Crops Now More Attractive than Cotton

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.

Monthly average prices of wheat, maize and sugar declined between June 2011 and June 2012. Soybean prices increased by 1% over the same period, whereas rice prices increased by 6%.¹⁰ However, prices of corn, soybeans and wheat exploded



in July 2012 due to severe drought conditions in the United States. As a result, corn, soybeans and wheat are now priced higher than they were at the beginning of the season.

The fall in cotton prices between August 2011 and early 2012 exceeded the decline in prices of competing commodities over the same period. As a result, the price ratios of cotton to maize, wheat, soybeans, rice and sugar, calculated at planting time in the Northern Hemisphere (which accounts for most of world cotton production), were significantly down in early 2012, leading to a contraction in cotton planted area in the northern hemisphere. With the sharp increases in grain prices in July 2012, the price competitiveness of cotton continued to erode. Barring any unexpected crop disaster or rebound in cotton mill use in 2012/13, this trend is expected to persist in the second half of 2012, which would likely affect planting decisions in the Southern Hemisphere. Looking further into the future, cotton plantings in the northern hemisphere in 2013/14 are likely to decline substantially.

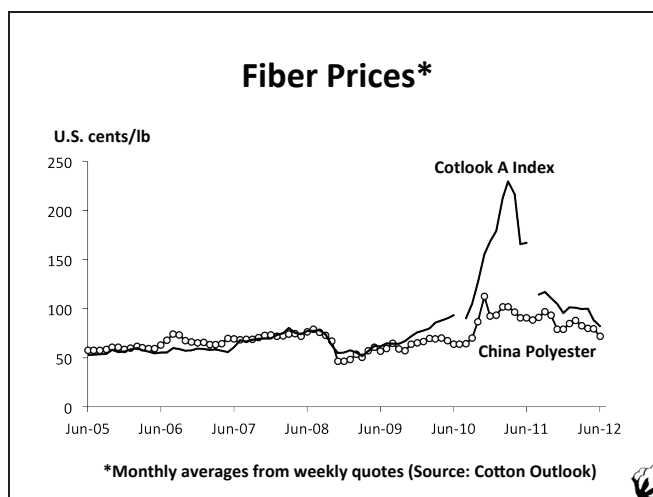
9) Prices reported by the Cotton Association of India.

10) Monthly quotes published by The World Bank in the "Pink Sheet" 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 Regaining Partial Price Competitiveness vis-à-vis Polyester

On the demand side, polyester fiber is the main competitor for cotton lint. Cotton's share of the textile fiber end-use market declined from about 68% in 1960 to about 33% in 2011, with only two relatively stable periods (mid-1970s to mid-1980s and 1998 to 2002). Since 2006, the share of cotton in textile fiber end-use has decreased every year.

Polyester prices declined during 2011/12 and remained more competitive than cotton prices. The China polyester quote published by Cotlook decreased from 91 cents per pound in August 2011 to 72 cents per pound in June 2012 (-21%). The Pakistan polyester quote decreased from 90 cents per pound to 76 cents per pound over the same period (-15%). The US and Taiwan polyester quotes were overall stable. Given the much larger decline in cotton prices over the season, the gap between the A Index and the average international price of polyester (calculated using each country share in polyester production as weights) declined from 23 cents in August 2011



to 7 cents in June 2012. However, this was not enough to prevent further erosion in the share of cotton in textile fiber end-use: this share is expected to continue to decline to 31.5% in 2012.



REVIEW OF 2011/12

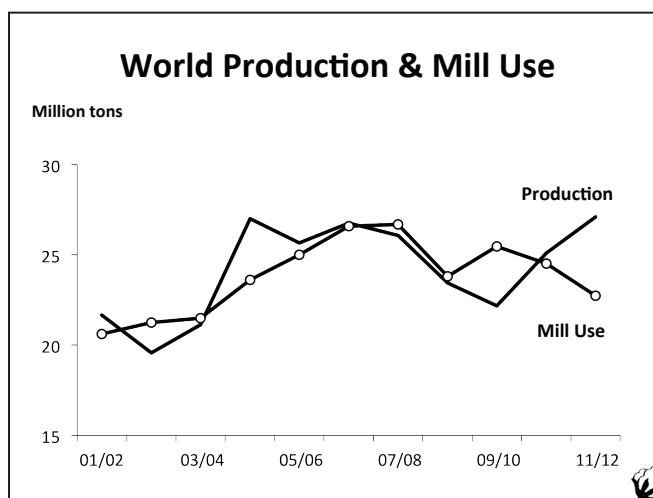
By Armelle Gruère, ICAC

Summary

2011/12 started with global beginning cotton stocks estimated at 9.3 million tons and a stocks-to-use ratio of 38% (2010/11 ending stocks divided by 2010/11 mill use), both indicators at a much lower level than their ten-year average (11.0 million tons and 47%, respectively). World cotton production increased for the second consecutive season, to a record of 27.1 million tons (+8%), driven by the high prices received by cotton farmers for their 2010/11 crop. Most of the gain in production came from an 8% expansion in area to a record of 36.1 million hectares, while the average yield remained stable at 750 kg/ha. Demand for cotton by spinners declined for the second consecutive season, affected by the high prices of the raw fiber and slower global economic growth. World cotton consumption was estimated down by 7% to 22.7 million tons, the smallest in eight years. The increase in production combined with the drop in consumption left a surplus of 4.4 million tons at the end of 2011/12. As a result, global cotton stocks jumped by 47% to 13.6 million tons, the largest ever recorded. The global stocks-to-use ratio rose from 38% in 2010/11 to a 13-year high of 60% in 2011/12. Despite reduced global demand, world cotton trade was up by 22% to 9.3 million tons due to record Chinese imports, triggered by domestic policies. In contrast, shipments to the rest of the world declined significantly.

The season-average Cotlook A Index fell from a record of \$1.64/lb in 2010/11 to \$1.00/lb in 2011/12, with a downward trend characterizing most of the season. The first and most

significant price decline took place between early September and mid-December 2011, with the A Index dropping from \$1.23/lb to \$0.92/lb. Several months of stability followed, with support from the large and regular purchases of cotton by the Chinese government. However, starting in late April 2012, international prices started declining again, due to the expectation of another season of production surplus and weak demand. The A Index reached a season low of 78 cents per pound on June 6, 2012. The A Index then remained relatively stable until the end of the season, fluctuating between 80 and



86 cents per pound. At \$1.00 per pound, the 2011/12 season average Cotlook A Index remains above the most recent ten-year average of 60 cents per pound (2000/01 to 2009/10). The season-average would have likely dropped lower if it were not for the large purchases made by China.

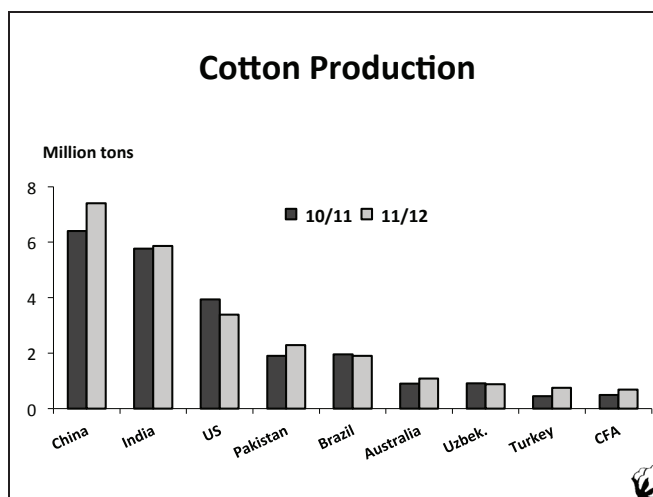
Introduction

World cotton production continued to recover for the second consecutive season: it reached 27.1 million tons in 2011/12, slightly above the previous record from 2004/05. The increase in production was driven by expanded plantings, as a reaction to the high prices received by farmers for their 2010/11 cotton crop. World cotton area expanded by 8% to a record of 36.1 million hectares in 2011/12.

The average yield remained stable at 750 kg/ha in 2011/12. Weather was overall favorable to cotton production in China, **India**, **Pakistan**, **Australia**, **Turkey** and Francophone Africa, but was very dry in the **United States**, Central Asia and parts of **Brazil**. Cotton yields increased in two of the five largest producing countries, China and **Pakistan**, while they declined in **India**, the **United States** and **Brazil**. In **India**, the lower average yield was likely a result from the expansion of cotton area to marginal areas and the entry of new farmers.

The global production increase in 2011/12 was driven mainly by China, where the crop amounted to 7.4 million tons, or one million more than in the previous year. **Pakistan** and **Turkey** also experienced a significant increase in their production, to 2.3 million tons and 750,000 tons, respectively. Production in Francophone Africa rebounded by 39% to 681,000 tons. **India**, **Australia**, **Greece** and Mexico each added 100,000 tons or more to their previous season's crop. In contrast, **U.S.** production dropped by 14% to 3.4 million tons: despite an increase in plantings, severe drought in the southwest of the country affected both harvested area and yield. Both **India** and **Australia** harvested record crops (5.9 and 1.1 million tons, respectively).

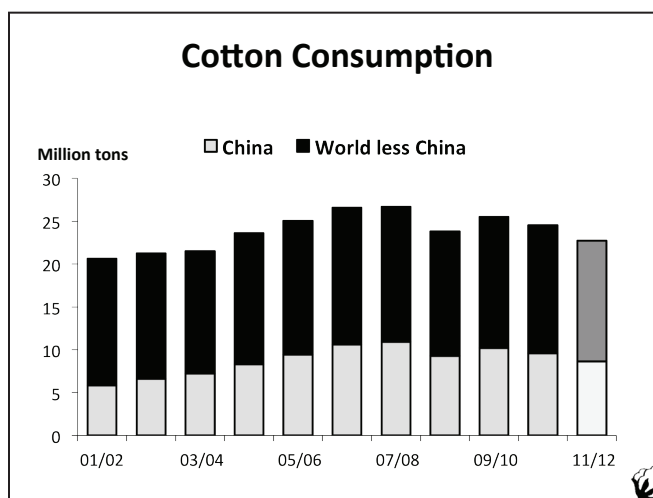
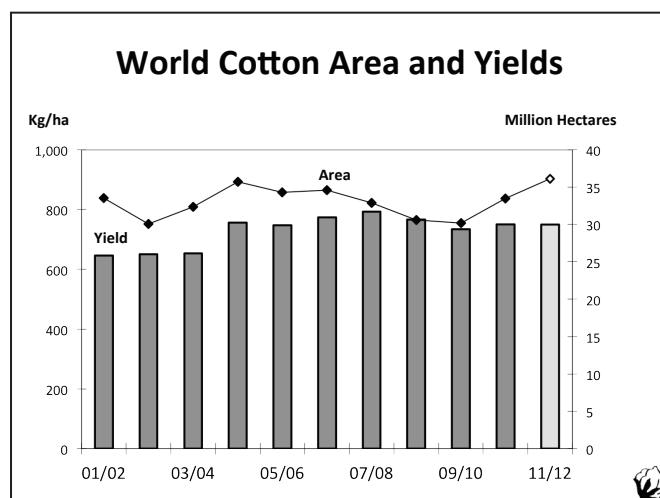
Lower prices for cotton in 2011/12 led to an increase in government support to the cotton industry. Subsidies to the



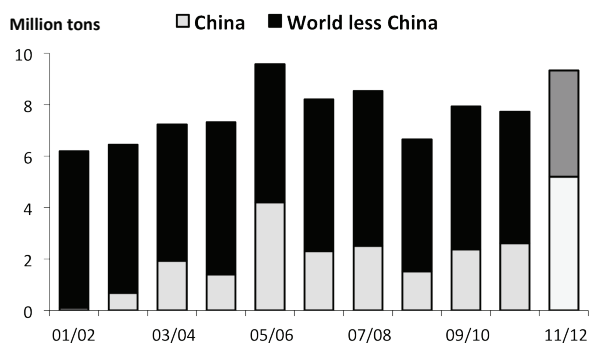
cotton industry, including direct support to production, border protection, crop insurance subsidies, and minimum support price mechanisms were estimated at US\$3.9 billion in 2011/12, up from US\$1.4 billion in 2010/11. The share of world cotton production receiving direct government assistance, including direct payments and border protection, was estimated at 48% in 2011/12 (up from 47% in 2010/11).

World cotton mill use weakened in 2011/12, declining by 7% to 22.7 million tons, the lowest consumption level since 2003/04. High cotton prices combined with slower than expected global economic growth significantly affected the activity of cotton spinning mills in many countries. Cotton mill use was estimated considerably lower in China, **India**, **Brazil**, the **United States**, Bangladesh and Thailand. It was also down in many other smaller consuming countries. Throughout 2011 and the first half of 2012, the share of cotton in global textile fiber end-use continued to decline, with spinners increasingly substituting away from cotton into lower-priced manmade fibers.

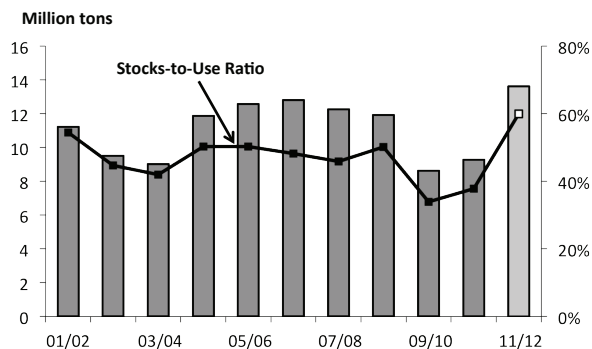
Despite lower demand for cotton, the volume of cotton traded internationally jumped by 21% to 9.3 million tons, the largest in six years. The leap was driven by a doubling of shipments



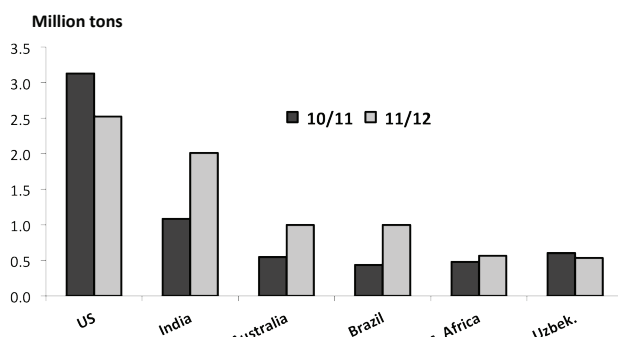
Cotton Imports



World Ending Stocks



Cotton Exports



to China to 5.2 million tons. In contrast, shipments to other countries fell by 19% to 4.1 million tons. For the first time in history, China accounted for over half of world cotton imports. Shipments from the **United States** were down by 19% to 2.5 million tons due to reduced exportable surplus and increased competition. In contrast, exports from **India**, **Brazil** and **Australia** reached record levels of 2 million tons, 1 million tons and 1 million tons, respectively.

Global cotton production exceeded consumption by 4.4 million tons in 2010/11. As a result, global cotton stocks jumped by 47% to 13.6 million tons, the highest level ever reached. Ninety percent of the gain in global stocks took place in China, due to the rebuilding of its national reserve. Chinese cotton stocks almost tripled to 6 million tons. In contrast, stocks in the rest of the world increased by only 5% to 7.6 million tons.

The global stocks-to-use ratio jumped from 38% in 2010/11 to 60% in 2011/12, much higher than the ten-year average of 46%. Outside China, the stocks-to-mill use ratio increased from 48% in 2010/11 to 54% in 2011/12.

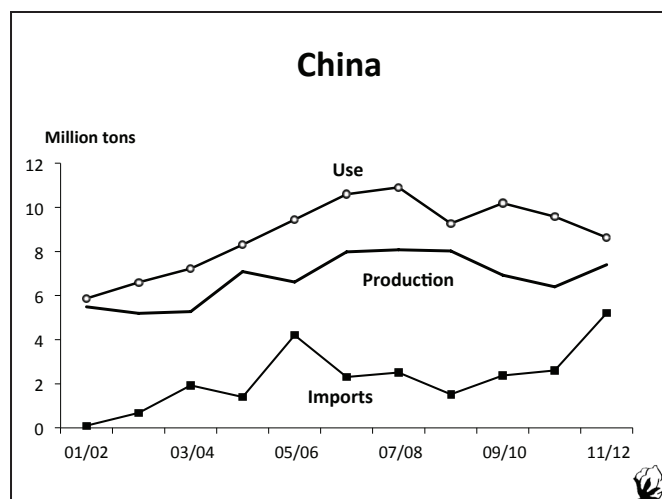
The season-average Cotlook A Index dropped by 39% to \$1.00/lb in 2011/12. As a result of the decline in international cotton prices, the value of global cotton production fell from U.S. \$91 billion in 2010/11 to \$60 billion in 2011/12.

Rebuilding of the National Cotton Reserve in China

Chinese cotton area declined in both 2008/09 and 2009/10 due to lower 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. Seedcotton prices increased sharply in 2010/11, rising much faster than prices of competing crops. In particular, the price ratio of cotton to grains grew significantly. As a result, despite a drop in yields in 2010/11, cotton plantings in China rose by 7% to 5.5 million hectares in 2011/12. Expansion in cotton area in China remains limited by intensive labor requirements compared to other crops and higher production costs. The Chinese government announced in late March 2011 that it would purchase cotton from the 2011/12 crop between September 2011 and March 2012, for the national reserve, if domestic prices fell below 19,800 yuan per ton (equivalent to U.S. \$1.50/lb in early August 2011). However, the announcement came too late to significantly impact 2011 planting decisions.

Weather was favorable in many cotton regions, with the exception of some areas of the Yellow River Basin and the Yangtze River valley, affected by drought at planting time, then by heavy rains and cold weather at the end of the growing season. The average yield increased by 8% to 1,340 kg/ha. Production was estimated at 7.4 million tons, or 16% higher than in the previous season. The minimum support price established by the government through daily purchases for the national reserve supported domestic prices during 2011/12.¹¹ A total of 3.1 million tons of cotton, or 42% of the 2011/12

11) See the article "Cotton Price Trends in 2011/12" in the present Review.



Chinese cotton crop, were bought by the China National Cotton Reserve Corporation (CNCRC) between October 2011 and March 2012. Despite this support, the season-average CC Index fell by 25% to 19,203 yuan per ton in 2011/12.

Since reaching a record of 10.9 million tons in 2007/08, cotton mill use in China has trended down. Several factors affect the competitiveness of its textile industry, including rising production costs (labor, energy and credit), a shortage of labor, a strengthening yuan, and the high price of domestic cotton. China is still by far the largest consumer of cotton in the world, accounting for 38% of world cotton mill use in 2011/12. However, this ratio is down from 41% only a few years ago, as other, more competitive countries are accounting for a larger share of the pie. Cotton mill use was estimated at 8.6 million tons in 2011/12, down by 10% from the previous season. This season, the adverse economic situation in Europe and in the **United States** (the two major export destinations for China's textile products), depressed domestic demand, high prices of Chinese cotton combined with limited access to cheaper foreign cotton and tighter financial policies contributed to a reduction in cotton spinning activity in China. Small and medium spinning companies were more affected than large ones. The second part of the season witnessed a slight improvement in cotton yarn manufacturing due to the stabilization of yarn prices. Overall, the domestic market seems to have fared slightly better than the export market. Imports of cotton yarn, which are not limited nor taxed, were projected at a record of 1.2 million tons in 2011/12, reflecting the gradual loss of competitiveness of China in cotton yarn manufacturing. A significant switch to polyester took place during 2011/12, accentuating a trend already in place. Spinners manufacturing only pure cotton yarn are becoming rare.

China imported a record of 5.2 million tons of cotton in 2011/12, double the quantity imported in the previous season. For the first time in history, China accounted for over half of world cotton imports: its share was estimated at 56% in 2011/12, up from a five-year average of 29%. Why did China import so much cotton in 2011/12 despite a larger crop and

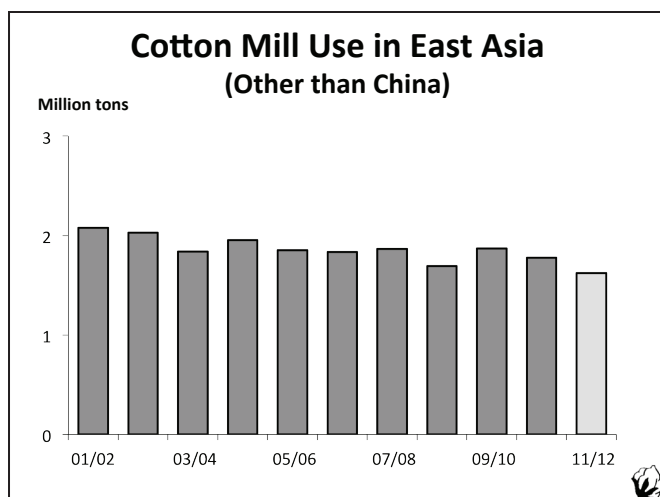
a drop in mill use? The volume needed to fill the estimated gap between production and consumption was only 1.2 million tons. First, the CNCRC purchased 3.1 million tons of domestic cotton between October 2011 and March 2012 to rebuild its national buffer stocks. These procurements limited the amount of domestic cotton available to Chinese mills, which therefore turned to imports. Second, large quantities of cotton were imported by the government specifically to help rebuild the national reserve. Third, some cotton bought by Chinese traders and shown as having been imported on paper was still in Chinese ports in late July 2012, waiting for the release of additional import quotas to be allowed to be shipped to Chinese spinning mills.

Since its admission into the WTO, China has opened an annual tariff-rate import quota (TRQ) and, from time to time and on an as-needed basis, additional import quotas. In 2011/12, the price of imported cotton was much lower than the price of domestic cotton, driving the demand for imported cotton up. In January 2012, China released the usual tariff rate-quota (TRQ) of 894,000 tons, associated with a 1% duty, for calendar year 2012. At the same time, an additional TRQ of 1.1 million tons was opened, under a sliding scale duty going up to 40%. Then in May 2012, an additional TRQ was opened. There was no official announcement but its size was rumored to be at least 1 million tons. In the last few months of 2011/12, as the difference between imported and domestic prices became significant, the price of import quota on the secondary market increased significantly.

Chinese cotton stocks were estimated at 6.0 million tons at the end of July 2012, almost three times their level in July 2011. The ICAC Secretariat estimates that the Chinese government reserves increased from less than 300,000 tons to 4.6 million tons during 2011/12, while private stocks (including stocks in consignment warehouses, CNCE/CNZE stocks, trade stocks, and spinning mills) decreased from around 1.9 million tons to 1.5 million tons.

Continued Decline in Cotton Mill Use in the Rest of East Asia

East Asia (excluding China) accounts for 7% of world cotton mill use. Cotton consumption in the region has slowly decreased since the end of the 1980s, affected by competition from other Asian countries with lower yarn production costs. After a rebound in 2009/10, cotton consumption resumed its decline in 2010/11 and 2011/12. It was estimated at 1.6 million tons in 2011/12, down by 9% from the previous season. Very high cotton prices this season affected the activity of spinning mills across the region, forcing some to slow their operations and others to stop them. However, some countries fared better than others, including Vietnam and the **Republic of Korea**. East Asian countries produce very little cotton and therefore import most of their requirements. Cotton imports were down to 1.8 million tons in 2011/12. Cotton production in the region was stable at 12,000 tons.



Cotton mill use in Indonesia has slowly declined in the first decade of the 21st century, due to increased competition in its major export markets as well as domestically. The advanced age of machinery and the relatively high energy costs continue to lower the competitiveness of Indonesia's textile industry. After a brief recovery in 2009/10, cotton consumption declined by 8% to 472,000 tons in 2010/11 and by 6% to 444,000 tons in 2011/12. Cotton imports were projected at 433,000 tons in 2011/12, down by 8% from the previous season. Many small spinners were hurt by the volatility of cotton prices in 2011, having committed to high-priced contracts just before yarn prices, then cotton prices, fell. Spinners increased significantly the share of manmade fibers in their blend in 2011/12, and some had to reduce or stop their activity. Indonesia remains the fourth largest importer of cotton after China, Bangladesh and **Turkey**. Cotton production is minimal in Indonesia, accounting for about 1% of the world total.

Thailand's cotton mill use has declined since its record of 460,000 tons in 2004/05, due to competition from other Asian countries. After a brief recovery in 2009/10 and a slight decline in 2010/11, cotton consumption dropped by 30% in 2011/12, to 270,000 tons. This is the smallest level of cotton mill use in over two decades. Severe floods in the last quarter of 2011 forced many spinners to temporarily halt their activities. This, combined with the high cotton prices, significantly affected cotton mill use. The situation improved only slightly in the second part of the season, as the textile industry faced labor shortages and higher wages. Thai spinners have increased the share of manmade fibers in their blend and some are moving their investments to other, more competitive Asian countries. Cotton production in Thailand remained minor in the last decade.

After more than a decade of strong growth (including during the 2008/09 global economic crisis), Vietnam's cotton consumption decreased slightly to 350,000 tons in 2010/11, before increasing to 370,000 tons in 2011/12. Vietnam's accession to the WTO in 2006 encouraged investments in the domestic textile industry. Lower wages than in most other Asian countries make Vietnam's textile industry more

competitive than most. The expansion in cotton mill use is driven mainly by garment and textile exports. A large portion of produced cotton yarn is exported. During 2011, many Vietnamese spinners engaged into high-priced cotton contracts that they could not execute later when prices of yarn and cotton fell. Much of the current season was spent trying to find solutions to the execution of these high-priced contracts. Many spinning mills are therefore in a difficult financial situation. Poor demand for cotton yarn affected cotton mill use and increased the share of manmade fibers in blends. Cotton production in Vietnam remains small despite the government's efforts to increase it: it was estimated at 5,000 tons in 2011/12. Therefore, Vietnam imports most of the cotton it spins.

After almost two decades of continuous decline, cotton consumption in the **Republic of Korea** has stabilized since the mid-2000s. It even increased slightly over the past three seasons. Cotton consumption was estimated at 243,000 tons in 2011/12, up by 6% from the previous season. The surviving spinning companies have invested, renovated and reduced costs, which is supporting the increase in cotton consumption. **Korea** has maintained strong knitting and weaving and garment manufacturing industries, and 90% of yarn production is sold domestically for eventual export. **Korea** imports all the cotton it spins. Its cotton imports in 2011/12 were estimated at 250,000 tons, up 9% from the previous season.

After a rebound in 2009/10, cotton mill use in **Taiwan** declined in the following two seasons. It was estimated at 178,000 tons in 2011/12, down by 5% from the previous season. Like some other countries in the region, cotton consumption has gradually decreased since the mid to late 1980s. **Taiwan** does not produce any cotton and therefore imports all that it spins. Imports of cotton decreased slightly to 174,000 tons in 2011/12. Since 2004, the number of spindles has shrunk from 4.5 million to 1.5 million in 2011. During the past decade, **Taiwan** gradually upgraded its spinning equipment and increased operating efficiency, while relocating older spindles to mills in other Asian countries to take advantage of lower production costs. Increasing emphasis is being placed on the production of value-added functional and eco-textiles. The textile industry of **Taiwan** is heavily export-oriented.

Since the late 1980s, when it reached a peak of 760,000 tons, cotton mill use in Japan has declined almost without interruption. In 2011/12 it was estimated at 63,000 tons, down by 22% from the previous season and the smallest since World War Two. Imports of cotton, after increasing in 2010/11 as mills rebuilt their stocks depleted in 2009, fell to 61,000 tons in 2011/12. The gradual long-term reduction in manufacturing of cotton products in Japan is due mainly to increased imports of finished products. While the Japanese economy has started recovering from the devastating earthquake and tsunami of March 2011, the textile industry is continuing to contract due to depressed retail consumption. The relocation of Japanese spinning capacity to Southeast Asia and South America, to take advantage of lower production costs, is continuing.

About 1 million spindles were still operating in Japan in 2011. Japanese traders are not only supplying raw cotton to their overseas joint-venture textile mills, but have also expanded their activities to become true international traders, selling cotton to non-Japanese mills.

Cotton mill use in Hong Kong steadily declined from a high of 245,000 tons in the late 1980s to 20,000 tons in 2009/10. It continued to decline to 13,000 tons in 2010/11 but stabilized at 12,000 tons in 2011/12. One of the last two remaining cotton spinning mills stopped operating during 2009/10, leaving one cotton spinning mill still active. Imports were estimated at 40,000 tons in 2011/12, down by 18% from the previous season. However, most of these imports were re-exported, mainly to China.

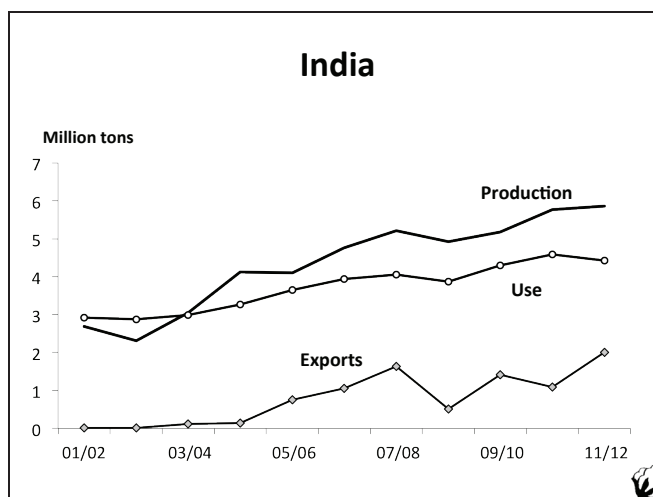
Cotton mill use in the Philippines has declined almost every year since a peak of 77,000 tons in 1996/97 to an estimated 14,000 tons in 2007/08, but remained relatively stable in the following few years. In 2011/12, cotton mill use halved to 7,000 tons. The three remaining cotton spinning mills significantly reduced their activity. The Philippines is highly dependent on the domestic market and suffers from competition from textile imports. Local cotton production has almost completely disappeared.

New Production Record but Lower Consumption in South Asia

South Asia is the largest cotton producing region and the second largest consuming region after China. In 2011/12, it accounted for 31% of global cotton production and 33% of world cotton mill use. Most production and consumption take place in **India** and **Pakistan**, but Bangladesh also spins significant quantities of cotton. Cotton production and mill use in South Asia have increased regularly over the last several decades, most of the time balancing each other. Cotton production increased steeply in the last few years, and in 2011/12 it reached a record of 8.4 million tons. In contrast, cotton mill use reached a peak of 7.8 million tons in 2009/10 but declined in the following two seasons, affected by the global economic slowdown and volatile cotton prices. In 2011/12, it was down by 4% to 7.4 million tons. Exports from South Asian countries (mostly **India**), including intra-regional shipments, reached a record of 2.3 million tons in 2011/12, up by 81% from the previous season. In contrast, imports by South Asian countries (mostly Bangladesh and **Pakistan**) were down by 24% to 950,000 tons.

Record Exports by India

India is the second largest cotton producing country after China. In 2011/12, it produced a record of 5.9 million tons or 22% of global production. It accounts for the largest share of global cotton area (34% in 2011/12). The very high seedcotton prices received by farmers in the previous season encouraged them to expand cotton area by 9% to a record of 12.2 million hectares. Most of this increase took place in the central and the northern regions. Despite overall good weather, the



average cotton yield declined by 7% to 481 kg/ha, possibly because of the lack of quality seeds, the expansion of cotton area in less productive lands, the entry of less experienced farmers into cotton production, and hot/dry weather in Central and Southern Zones. This is the lowest yield in six years. The yield has been trending down after reaching a record of 554 kg/ha in 2007/08.

India is the second largest industrial consumer of cotton behind China. After reaching a record of 4.6 million tons in 2010/11, cotton mill use declined in 2011/12 to 4.4 million tons (19% of global use). Low demand for cotton yarn, high cotton prices, combined with a sharp fall in cotton yarn prices and power cuts in the south of the country, forced spinners to reduce their activity in the first few months of the season. However, a decline in cotton yarn stocks and an increase in yarn prices encouraged a partial recovery in the first part of 2012. Weakness in the domestic and export markets were partially compounded by the weakening of the Indian rupee against the U.S. dollar. The export market fared better than the domestic one, as Indian cotton yarns were more competitive than yarns of most other origins. Access to lower-priced cotton than in most other countries contributed to the competitiveness of the Indian cotton spinning sector. Many mills were in financial difficulty following the volatility of cotton prices in 2011 and the cap on cotton yarn exports imposed by the government in 2010/11. The Indian government spent much of 2011/12 developing a plan to restructure the textile industry's large debt, but the plan had not been finalized at the end of the season.

India has become a significant net exporter of cotton since 2005/06 due to considerable increases in cotton production. However, cotton exports have fluctuated significantly in the last few years, depending on government policies. After falling by 24% to 1.1 million tons in 2010/11 due to an export cap, cotton shipments jumped to a record of 2.0 million tons in 2011/12. **India's** large beginning stocks, record crop and weaker mill use, combined with high demand from China, all played a role in the record exports by **India** in 2011/12. Cotton exports were briefly banned by the government starting March

5, 2012, but this decision was completely reversed by the end of April 2012. Instead, the Cotton Corporation of **India** was directed to procure several hundred thousand tons of cotton to create a strategic reserve for their domestic mills. **India** was the second largest exporter in 2011/12. Its share of global exports jumped from 14% in 2010/11 to a record of 22% in 2011/12. **India's** imports were projected at around 120,000 tons of cotton in 2011/12, up by 38% from the previous season. Imports are comprised almost entirely of qualities not available in **India**.

Pakistan becomes a Net Exporter of Cotton

Local seedcotton prices in **Pakistan** reached record levels during 2010/11, encouraging further expansion in cotton plantings in 2011/12. Farmers increased the area dedicated to early plantings, in particular in Central Punjab, to avoid late season flood damage similar to that experienced in 2010/11. Some new cotton area came from competing crops, sugarcane and rice. The average yield increased by 12% to a record of 765 kg/ha, as weather was almost ideal (heavy September rains in Sindh affected yields and quality), producers invested more in inputs, driven by the high cotton prices, pest infestation was not significant. Cotton production jumped by 20% to 2.3 million tons. Production in Punjab jumped by half to 1.9 million tons, whereas production in Sindh fell to 415,000 tons. Counting in running bales, the production would seem to have reached a record of 14.8 million bales, higher than the 2004/05 record of 14.35 million bales. However, the average weight of cotton bales declined significantly over the past few seasons. As a result, 2011/12 production was not a record, but still the second largest in history.

Pakistan is the third largest industrial consumer of cotton after China and **India**, accounting for 9% of global cotton mill use in 2011/12. **Pakistan** has been one of the largest exporters of cotton yarn since 1988, in particular to China. Cotton mill use reached a record of 2.6 million tons in 2007/08, but has since contracted. In recent years, the Pakistani textile industry was affected by increasing costs of production (in particular costs of labor and energy and high interest rates), and reduced

spinning margins. The first half of 2011/12 was marked by low demand for cotton yarn, both in the domestic and export markets. Many small spinning mills had to close, temporarily or completely, after buying cotton at high prices in the first half of 2011 and facing financial difficulties. Many spinning mills switched to manmade fiber. The situation improved in the second half of the season. Access to a large domestic cotton crop at prices lower than international prices, an improvement in demand for yarn (in particular from China) and a reduction in stocks of cotton yarn contributed to this slight recovery, despite frequent power cuts. Cotton mill use in **Pakistan** was almost stable at 2.1 million tons in 2011/12.

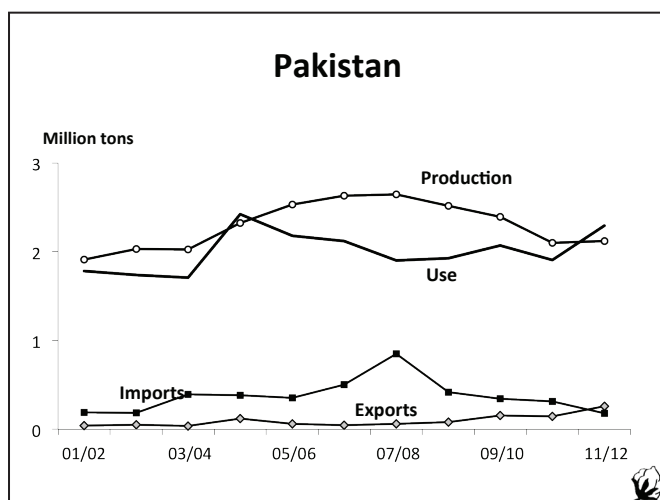
Pakistan was a significant net importer of cotton between 2001/02 and 2010/11, as it needed extra cotton lint to make up for the gap between domestic production and consumption. Cotton imports by **Pakistan** reached a record of 850,000 tons in 2007/08, when consumption reached its peak. Imports have since sharply decreased as consumption contracted. They were estimated at 178,000 tons in 2011/12, down by 43% from the previous season. In contrast, cotton exports from **Pakistan** rose over the last few years due to increasing exportable surplus. They increased by 76% to 257,000 tons in 2011/12. **Pakistan** thus became a net exporter of cotton in 2011/12.

Cotton Mill Use in Bangladesh Down for the Second Consecutive Season

Bangladesh is the seventh largest cotton consumer. Cotton mill use fell by 17% to 700,000 tons in 2011/12. Large stocks of cotton bought at high price, large stocks of yarn made from the same high-priced cotton, competition from lower-priced cotton yarn imports from **India** and China, energy shortages, high interest rates, difficulty to obtain credit to buy imported cotton, and challenges in meeting contractual obligations entered when cotton prices were high, forced many mills to reduce their activity or stop during the second half of 2011. One additional negative factor was the change in the EU's rule of origin: from January 2011, Bangladesh's textile manufacturers have been exempted from EU import duties even if they use imported (instead of locally made) yarn and fabric. With lower volatility of yarn prices in the first half of 2012, and smaller stocks of cotton and yarn, the situation of spinners improved somewhat. Bangladesh was the second largest importer of cotton in 2011/12, with an estimated 650,000 tons. But this represents a fall of 23% from the previous season. Cotton production in Bangladesh remains small relative to its mill use, but it increased over the last few years with support from the Cotton Development Board: the size of the cotton crop was estimated at 14,000 tons in 2011/12, about the same as in the previous season and up from 8,000 tons in 2007/08.

Lower Cotton Exports from Central Asia

Cotton production in Central Asia has been trending down for several years as competition with food crops intensifies. After



a partial recovery in 2010/11, production declined in 2011/12, to 1.4 million tons (-2%). Cotton area increased slightly to 2.3 million hectares. However, the average yield declined by 4% to 630 kg/ha, due to high temperatures during the growth period and limited water supplies. Cotton mill use increased slightly to 430,000 tons. Cotton exports from the region declined by 8% to 850,000 tons due to increased competition from other exporting countries.

Cotton output in **Uzbekistan** declined slightly to 880,000 tons in 2011/12. Cotton area was down to 1.316 million hectares, following the official target. The average yield decreased by 2% to 670 kg/ha, due to high temperatures during the growing season, combined with limited soil moisture and insufficient irrigation supplies. Extra-fine cotton production remained stable at 2,000 tons. Cotton mill use was estimated stable, between 270,000 tons and 275,000 tons. **Uzbekistan's** exports were estimated down by 11% to 530,000 tons. Stocks of cotton at the end of July 2012 were likely approaching 380,000 tons, up by 25% from the previous season.

Turkmenistan's cotton production has been on an overall upward trend since the early 2000s. Output increased sharply in 2009/10 and 2010/11 to 380,000 tons, the highest level since the early 1990s. Greater government support to agricultural production contributed to these larger cotton crops. However, production fell back to 315,000 tons in 2011/12. Cotton area remained stable at 550,000 hectares, as farmers were encouraged by the returns from their 2010/11 crop. But after a significant improvement in 2010/11 due to ideal weather, the average yield fell by 17% to 573 kg/ha due to limited irrigation water supplies and pest infestation in some areas. Extra-fine production was estimated at 18,000 tons, slightly down from the previous season. Exports were estimated at 120,000 tons, down by 29% from the previous season. Cotton mill use in Turkmenistan was estimated at 125,000 tons, up by 9% from 2010/11. Stocks of cotton at the end of July 2012 were estimated at almost 270,000 tons, the highest since they were first recorded in the early 1990s.

After decreasing sharply and continuously in the second half of the 2000s, cotton production in Tajikistan has partially recovered since 2010/11. Production increased from a low of 82,000 tons in 2009/10 to 90,000 tons in 2010/11, then rebounded to 120,000 tons in 2011/12. Cotton plantings were up 26% to 201,000 hectares, driven by the higher prices received in 2010/11 (land diverted from maize and rice). The average yield improved slightly to 597 kg/ha, the highest in eight years, thanks to adequate weather and low pest pressure. Production of extra-fine cotton was expected to make a strong recovery but in fact it declined slightly to 1,250 tons. Mill consumption of cotton was estimated stable at 7,000 tons, while exports were projected up to 120,000 tons.

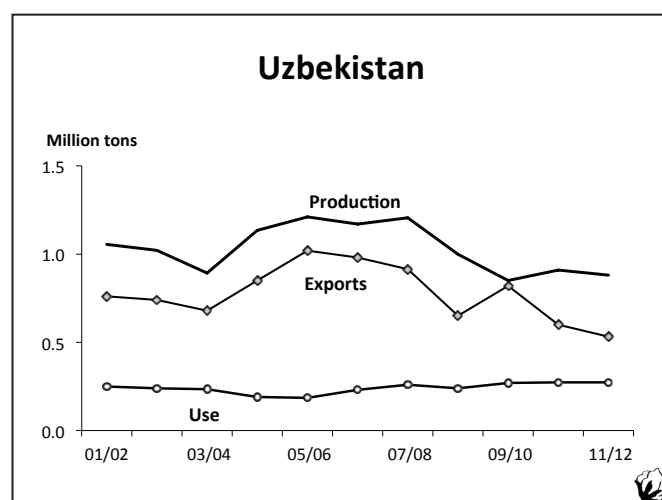
Kazakhstan's cotton output declined continuously between 2004/05 and 2010/11, to 60,000 tons, the smallest in over a decade. However, production rebounded to 80,000 tons in 2011/12, driven by higher prices. Cotton area increased by 4% to 140,000 hectares, and the average yield recovered strongly, reaching 571 kg/ha. Cotton consumption and exports were both estimated up, to 15,000 tons (+10%) and 62,000 tons (+14%), respectively.

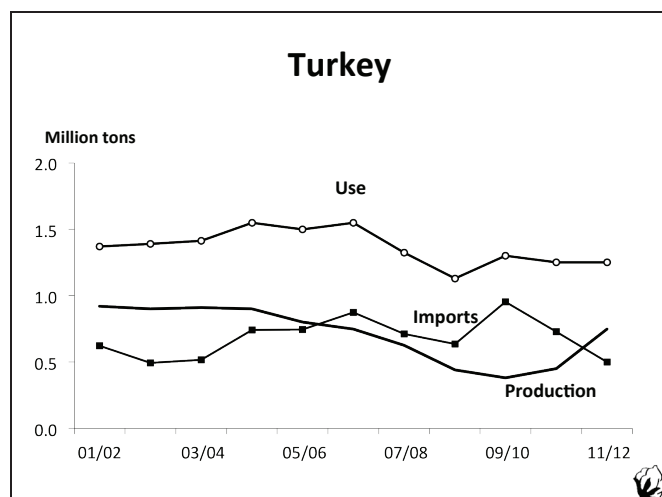
After declining significantly for four seasons, cotton production in Azerbaijan has partially recovered since 2009/10. Production increased from a low of 11,000 tons in 2009/10 to 13,000 tons in 2010/11 and then jumped to 24,000 tons in 2011/12. Planted area rose by 50% to 48,000 hectares, as adequate weather allowed most farmers to reach their planting target (which was similar to last season's target). The average yield increased significantly, reaching 500 kg/ha (+23%). The harvest took longer than usual due to weather issues. Consumption was estimated slightly up to 10,000 tons. Exports of minor quantities were expected.

Turkey: Continued Strong Production Recovery

The high seedcotton prices received by Turkish farmers in 2010/11 encouraged them to continue expanding cotton plantings in 2011. Sowings were completed later than usual due to low temperatures and rains, but weather during the growth season was favorable. As a result, production was estimated at 750,000 tons, up by 67% from the previous season and the largest production in five years.

Cotton mill use in **Turkey** was estimated stable at 1.250 million tons in 2011/12. Access to a large domestic crop, the depreciation of the Turkish lira against the Euro, and import duties placed on yarn and ready-made garment imports, then in December 2011 on knitted fabrics, helped to support cotton spinning. The spinners who had purchased large quantities of high-priced cotton in 2011 had to buy lower-priced domestic cotton to average their raw material price and gradually dispose of their stocks. **Turkey's** imports were down by 31% to 500,000 tons, as a result of the larger crop. These were the smallest imports in nine years. **Turkey** was the third largest importer of cotton in 2011/12, after China and Bangladesh.





Middle East: Cotton Production Rebounds while Mill Use Falls

Cotton production in the Middle East rebounded by 24% to 302,000 tons in 2011/12, after three consecutive seasons of decline. However, cotton mill use dropped by 16% to 295,000 tons.

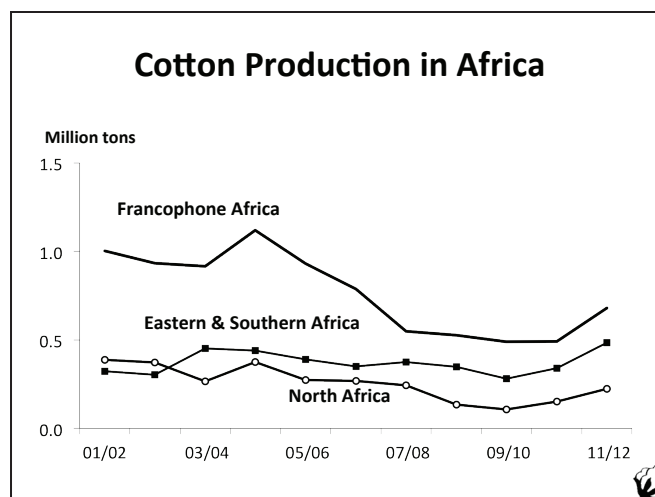
Cotton production in **Syria** increased to 212,000 tons in 2011/12. However, cotton mill use fell by almost 40% to 135,000 tons due to the political situation. Only small quantities of cotton (mostly organic) were exported during the season, as banking sanctions make it nearly impossible to trade with **Syria**.

After several years of moderate decline, cotton production in **Iran** fell by 25% to an estimated 59,000 tons in 2011/12. Cotton mill use was estimated slightly down to 130,000 tons, while imports were expected to remain stable at around 67,000 tons.

Production in **Israel** more than doubled to 16,600 tons in 2011/12, the largest crop in four seasons. High extra-fine cotton prices and good demand from spinning mills at planting time encouraged a rebound in area to 8,600 hectares. Similarly to previous years, almost all the area was planted to extra-fine cotton (Pima and Acalpi). The average yield rose by 4% to a record of 1,930 kg/ha thanks to adequate weather, high yielding varieties and good farming practices. As usual, a large proportion of the crop was committed to final users early in the season.

Africa: Strong Cotton Production Rebound

African cotton production declined continuously and significantly from 2.0 million tons in 2004/05 to 925,000 tons in 2009/10, the smallest in almost five decades. However, production slightly recovered to 1.0 million tons in 2010/11, and then rebounded to 1.5 million tons in 2011/12. This jump was driven mainly by the significant increase in seedcotton



prices received by farmers in 2010/11. Production gains in 2011/12 were distributed amongst the three regions: North Africa, Francophone Africa, and East and Southern Africa.

Africa accounted for 13% of world cotton area in 2011/12 (4.6 million hectares). However, the estimated average yield of 316 kg/ha remains less than half the world average. This is partly explained by the fact that most cotton area in Africa is rainfed, while almost two-third of the world cotton area is irrigated. Production in Africa accounted for 5% of the global output in 2011/12. Total cotton mill use in Africa was expected to decrease by 8% to 315,000 tons, or 1% of world cotton mill use.

Northern Africa

Cotton production in **Egypt** has followed a long downward trend since the early 1980s. Following a drop to 95,000 tons in 2009/10, the smallest crop in at least a century, cotton production rebounded to 137,000 tons in 2010/11 and continued its recovery in 2011/12, reaching 181,000 tons. Higher seedcotton prices received by farmers in 2009/10 and 2010/11 explain the significant expansion in plantings in 2010/11 and 2011/12. Cotton area was estimated at 221,000 hectares in 2011/12, up by 40% from the previous season. Late cotton plantings were boosted by a government intervention to prevent an expansion of rice sowings. Extra-long staple (ELS) cotton production increased by 24% to 35,000 tons, while long staple (LS) cotton production increased by 40% to 145,000 tons. Despite the larger crop, exports declined by 7% to 93,000 tons in 2011/12, due to weak international demand and a brief period with imposed minimum export prices. Imports of upland cotton were estimated sharply down to 25,000 tons due a ban on cotton imports starting in late October 2011. **Egypt** remains the largest African cotton consumer but its cotton mill use has declined significantly since 2007/08. It was estimated at 100,000 tons in 2011/12, down by 20% from the previous season due to weak demand, competition from cotton yarn imported from **India** and **Pakistan** (the effect of which was lessened after the implementation of a "safeguard" duty on cotton yarn imports in January 2012), the removal

of a government subsidy on local sales of cotton yarn, the above-mentioned import ban on cotton, rising labor costs, power outages and social unrest. However, consumption of extra-fine cotton was projected up by 30% to 44,000 tons in 2011/12, due to the ban on imports of upland cotton.

Cotton production in **Sudan** has followed a downward trend since 2004/05. After the implementation of the Gezira Act in 2005, giving farmers more autonomy regarding their crop choices, the low cotton prices led to a contraction in cotton plantings. Following a drop to 11,000 tons in 2009/10, the smallest crop in at least seven decades, cotton production increased slightly to 16,000 tons in 2010/11 and jumped to 44,000 tons in 2011/12. The higher seedcotton prices received by farmers in 2009/10 and 2010/11, and increased support and investment from the Sudan Cotton Company (SCCL), are important factors explaining the expansion in plantings in the last two seasons. Cotton area was estimated at 111,000 hectares in 2011/12, up by 168% from the previous season and the largest in five years. A small portion of total cotton area is planted by private farmers, independently from the SCCL. The average yield remained stable at 395 kg/ha. Production of Barakat (extra-fine) cotton quadrupled to 19,000 tons, while that of Acala (medium staple) cotton doubled to 25,000 tons. Despite increased exportable supplies, **Sudan's** exports were projected at only 2,000 tons in 2011/12, down from 13,000 tons in the previous season. Cotton consumption was estimated stable at 2,000 tons in 2011/12.

Francophone Africa

After five consecutive seasons of decline and one season of stability, cotton production in Francophone Africa¹² rebounded strongly in 2011/12. Production was estimated at 681,000 tons, 39% more than in 2010/11 and the largest in five years. Cotton plantings expanded by 30% to 1.9 million hectares, driven by a significant increase in minimum seedcotton prices and continued government subsidies for inputs. The average yield also improved by 7% to 365 kg/ha, as farmers tried to optimize their production to benefit from the higher prices, weather was overall better than in the previous season, and no seedcotton was left unpicked in **Côte d'Ivoire** (contrary to last season). Cotton mill use in Francophone African countries remains small. It was estimated at 17,000 tons in 2011/12, accounting for 3% of local production. Exports were projected at 565,000 tons, up by 18% from 2010/11.

After slight increases in the previous two seasons, **Mali's** cotton production recovered strongly in 2011/12. Its crop size was estimated at 187,000 tons, up by 81% from the previous season and the largest in six years. The rebound in production was driven by an expansion in plantings of two

thirds, to 478,000 hectares. The seedcotton price announced to producers prior to planting increased from 185 FCFA/kg in 2010/11 (to which a bonus of 20 FCFA was added at the end of the season) to a record 255 FCFA/kg in 2011/12. Other encouragement measures included the reform of the system of "caution solidaire,"¹³ continued government fertilizer subsidies and the forgiveness of farm cooperatives' debts. The average yield increased by 8% to 390 kg/ha as rainfall was more adequate than in 2010/11. Exports were also expected to increase substantially, reaching around 130,000 tons.

Cotton production in **Burkina Faso** increased by 7% to 151,000 tons in 2011/12, after two seasons of decline. Cotton area expanded by only 7% to 429,000 hectares despite a rise in the seedcotton price announced before plantings. Some farmers, dissatisfied by this price, protested, asking for higher prices and fertilizer subsidies. In addition, drought conditions at planting time prevented plantings from expanding much. The yield increased slightly to 352 kg/ha, still below the average of the first decade of the 2000s. Cotton exports were projected at 138,000 tons, about the same as in the previous season. **Burkina Faso** consumes around 4,000 tons of cotton every year.

Cotton production in **Cameroon** continued to recover for the second consecutive season, reaching 78,000 tons in 2011/12 (+15%). The gain in output was the result of a small expansion in plantings, to 149,000 hectares, driven by a higher 2011/12 seedcotton price, and a 10% increase in the average yield, to 523 kg/ha. The government continues to subsidize fertilizers. The phenomenon of cotton smuggling into **Nigeria** that was an issue in 2010/11, when international cotton prices reached a record, disappeared in 2011/12. The cotton company SODECOTON continued to diversify farming in cotton regions by increasing area planted to soybeans. Cotton exports from **Cameroon** were estimated at almost 70,000 tons in 2011/12.

After three seasons of decline, Benin's cotton production rebounded by 25% to 75,000 tons in 2011/12. Cotton plantings jumped by half to 208,000 hectares due to a significant increase in the seedcotton price announced prior to sowings, subsidized fertilizers and pesticides, and no repeat of the rains and floods of the previous season. The average yield decreased by 19% to 360 kg/ha. Cotton exports were projected at 60,000 tons.

After a drop in 2010/11, cotton production in **Côte d'Ivoire** rebounded by 74% to 103,000 tons. Plantings were up by 20% to 261,000 hectares, driven by a significantly higher seedcotton price for 2011/12 and subsidized inputs. The weather was more adequate than in the previous season and all the seedcotton could be picked; as a result the average yield rebounded by 45% to 396 kg/ha.

12) Francophone Africa includes Benin, **Burkina Faso**, **Cameroon**, Central African Republic, **Chad**, **Côte d'Ivoire**, Guinea, Madagascar, **Mali**, Niger, Senegal and **Togo**.

13) The system of "caution solidaire" provides joint financial responsibility to members of each group of cotton producers, regarding in particular the repayment of input credits at the end of the season. If some farmers in a given group do not repay their input credits, other farmers in the same group have to repay these credits so that the entire group can receive new input credits the following season. This system is being reformed in many countries.

Production in **Togo** continued to recover strongly for the second consecutive season, rising by 69% to 34,000 tons in 2011/12. This was the largest crop in seven years. Higher seedcotton prices in 2010/11 and 2011/12 encouraged an expansion in plantings.

Cotton production in **Chad** also continued to recover for the second consecutive season, to 32,000 tons in 2011/12, 43% higher than in the previous season. Both plantings and yields were up: cotton area rose to 172,000 hectares while the average yield increased to 183 kg/ha. However, the yield remained below average due to the late arrival of irregular rains, and delayed and low applications of fertilizers.

Production in Senegal was estimated up by 7% to 11,000 tons, driven by an improvement in yield while cotton area contracted slightly. The average yield in Senegal reached 406 kg/ha, the largest in five years.

Anglophone West Africa

Cotton production in **Nigeria** was projected at 60-63,000 tons in 2011/12, from expanded plantings. Mill use was projected at 20,000 tons. The Nigerian textile industry has been severely affected in recent years by competition from Asia and smuggling of imported textile products into the country, but also high yarn production costs and frequent electricity shortages.

Ghana's cotton production was estimated at 7,000 tons in 2011/12. The government is looking into ways to revive the cotton sector.

Record Cotton Production in Eastern and Southern Africa

Cotton production in East and Southern African countries jumped by 42% to a record of 483,000 tons in 2011/12. Most of the gain in production was explained by expanded plantings, as the higher seedcotton prices received in 2010/11 encouraged farmers. The average yield also improved by 6% to 236 kg/ha. Production increased in most countries of the region, with the exception of **South Africa**. The marketing of seedcotton from the 2011/12 crop was delayed in many countries due to a lack of agreement between farmers and ginneries on prices. Cotton mill use was estimated around 123,000 tons in 2011/12, slightly down from the previous season. Cotton exports from East and Southern African countries, including intra-regional shipments, were projected at 306,000 tons in 2011/12, up by 26% from the previous season. Imports were projected up by 4% to 50,000 tons.

Zimbabwe's cotton production increased by 8% to 111,000 tons. Cotton plantings jumped by 15% to a record of 450,000 hectares, due to the high seedcotton prices received by farmers in the previous season. However, the average cotton yield was down by 6% to 246 kg/ha, due to drought in the Lowveld in particular, as well as in other regions where abandonment may have taken place. The marketing of the crop was delayed

because ginneries and producers could not agree on a minimum seedcotton price. Despite government's intervention to designate cotton as a "controlled crop," the government did not make any cotton purchases. **Zimbabwe's** cotton mill use was estimated around 7,000 tons and exports were projected at 96,000 tons in 2011/12.

Cotton production in **Tanzania** rebounded to 120,000 tons in 2011/12. Plantings increased slightly, but most of the gain in production came from a significant improvement in the average yield to 240 kg/ha. **Tanzania's** cotton consumption was estimated at around 29,000 tons and its exports were projected at 45,000 tons.

Cotton production in **Zambia** continued to recover strongly in 2011/12, reaching 88,000 tons or 76% more than in the previous season and the largest up to date. Most of the gain in production is explained by an explosion in cotton plantings to a record of 460,000 hectares, encouraged by high seedcotton prices in 2010/11. Many new cotton farmers were reported. The yield remained stable at 191 kg/ha despite insufficient rains at planting time. The marketing season was significantly delayed by the lack of agreement between farmers and ginneries on an indicative seedcotton price, given the downward trend since March 2011. Cotton exports, including shipments of the previous season's crop, were projected at 60,000 tons in 2011/12, significantly up from the previous season.

Cotton production in **Uganda** jumped by 75% to 47,000 tons in 2011/12, slightly higher than the previous record reached in 2004/05. The increase was driven by a 25% expansion in plantings to 100,000 ha and a 40% gain in the average yield to 470 kg/ha. The higher seedcotton prices paid to farmers during 2010/11 encouraged them to take good care of their crop in 2011/12, in particular regarding pest control. Most of the Ugandan cotton crop is usually exported.

Malawi's cotton production jumped by 80% to a record of 40,000 tons in 2011/12, only two years after a two-decade low of 6,000 tons in 2009/10. The high prices of seedcotton received by farmers in 2010/11 and increased government support to the cotton sector (via the distribution of free seeds and pesticides) encouraged an explosion of area to 200,000 hectares. The average yield however fell by 46% to 200 kg/ha.

Mozambique's cotton output was projected at 32,000 tons in 2011/12, up by 24% from the previous season and the largest in six years. Plantings jumped by a third to 170,000 hectares, while the average yield declined slightly to 190 kg/ha. Cotton exports from **Mozambique** were projected at 26,000 tons in 2011/12.

After a rebound in 2010/11, cotton production in **South Africa**¹⁴ dropped by 26% to 13,000 tons in 2011/12. A lower cotton-to-maize price ratio at planting time resulted in a contraction of cotton plantings to 13,000 hectares. The average yield declined by 5% to 1,001 kg/ha, due to lower yields in the Northern Cape. Cotton mill use in **South Africa** continued to

14) Including Swaziland.

decrease by 19% to 18,000 tons in 2011/12, suffering from competition with lower-priced imported products.

After dropping to a low of 4,000 tons in 2010/11, **Kenya's** production recovered slightly to 6,000 tons in 2011/12. Plantings rebounded to 43,000 hectares, driven by the high seedcotton prices received by farmers in 2010/11. However, the yield fell to 130 kg/ha due to insufficient rains in the Eastern region and parts of the Western region. Cotton mill use in **Kenya** was estimated at 9,000 tons in 2011/12.

Europe: Strong Rebound in Cotton Production but Continued Decline in Mill Use

In the European Union (27 countries), cotton is produced principally in **Greece** and **Spain**. Production in Portugal stopped in 2006, and production in Bulgaria is now less than 300 tons. Cotton growers in **Greece**, **Spain** and Bulgaria obtain assistance through the Common Agricultural Policy (CAP) of the European Union (EU). Changes were introduced in the EU CAP starting in 2009/10. As before, cotton producers receive 65% of EU support as a single decoupled payment (income aid) and the remaining 35% as an area payment (coupled or production aid). However, the national base areas benefiting from the production aid were reduced and are now set at 250,000 hectares for **Greece** and 48,000 hectares for **Spain**. To be eligible for the aid, the cotton area must be located on agricultural land authorized by the EU member states for cotton production, sown under authorized varieties and actually harvested under normal growing conditions. The aid is paid for cotton of sound, fair and merchantable quality. The aid is paid per hectare of eligible area by multiplying fixed reference yields by the reference amounts fixed for each country. If the eligible area exceeds the maximum base area, the aid per hectare is reduced proportionally.

European cotton production has declined each year since 2006/07, the first season of implementation of the EU cotton reform. In 2010/11 it reached 223,000 tons, the smallest crop

since 1984/85. However, it rebounded by half to 340,000 tons in 2011/12, driven by higher cotton prices.

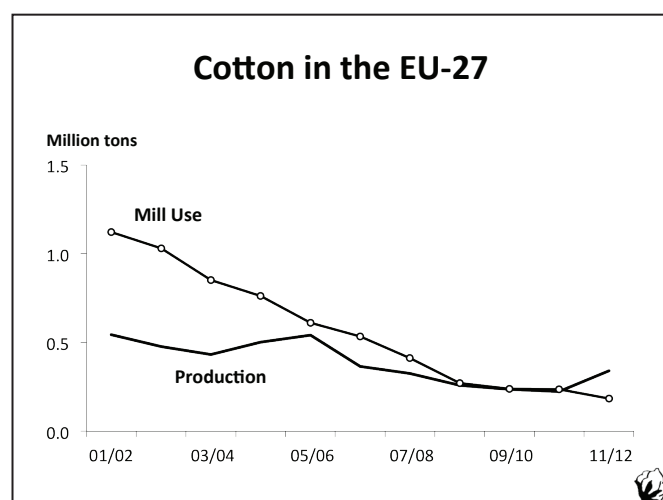
Cotton area in **Greece** rose by 20% to 300,000 hectares in 2011/12, as a result of the higher returns received by farmers in the previous season and the high prices at planting time. These attractive prices also encouraged farmers to maximize their yields. Despite weather-related delays to sowings and insect infestation in some areas, the average yield rebounded by 30% in 2011/12 to 933 kg/ha (in 2010/11, the yield dropped well below average due to severe insect damage and unfavorable weather). As a result, production jumped by half to 280,000 tons in 2011/12, the largest output in four years. Exports were estimated at 200,000 tons, up by 29% from the previous season. **Turkey** and **China** were major destinations this season, while the ban on **Egypt's** imports limited shipments to that country.

Cotton area in **Spain** was estimated at 67,000 hectares in 2011/12, up 6% from the previous season, as a result of increased farmers returns in 2010/11 and high prices at planting time. The average yield continued recovering to 890 kg/ha, a third higher than in the previous season. The requirement of a minimum seedcotton yield to qualify for EU support payments since 2010/11, ideal weather throughout the season, adequate irrigation supplies and limited pest pressure all contributed to consolidate the yield improvements started in 2010/11. As a result, production rose by 40% to 60,000 tons, the largest output in six years. Exports from **Spain** were estimated at 52,000 tons, up by half from the previous season.

Cotton consumption in the EU-27 declined almost continuously from a peak of 2.0 million tons in the mid-1980s to an estimated 184,000 tons in 2011/12. The annual rate of decline slowed in 2009/10 and 2010/11, but it accelerated to 23% in 2011/12. The deepening European financial crisis and the ensuing mild economic recession significantly affected end-use consumption of textile products in the region. This came on top of high raw material prices, as the European spinning industry continued to face strong competitive pressures from imports of textile products. Four countries (**Italy**, **Germany**, **Greece** and **Portugal**) accounted for 72% of cotton mill use in the EU-27 in 2011/12. Cotton mill use declined in most countries in the EU-27, but was stable in **France** and **Switzerland**.

Italy is the largest cotton consumer in the EU-27, accounting for a quarter of EU mill use. Italian cotton mill use declined in 2011/12 to 49,000 tons, the smallest amount of cotton spun in the country since World War II. However, an important part of the cotton yarn spinning activities has been relocated to other countries but still belong to Italian companies. Cotton mill use in **Germany** decreased by 22% to 36,000 tons. Cotton mill use fell by 30% to 25,000 tons in **Greece** and by 14% to 24,000 tons in **Portugal**. **France's** cotton consumption stabilized in recent years. It remained at 15,000 tons in 2011/12.

Cotton mill consumption in **Belgium** fell to 5,000 tons in 2011/12. There are now two cotton spinning mills operating

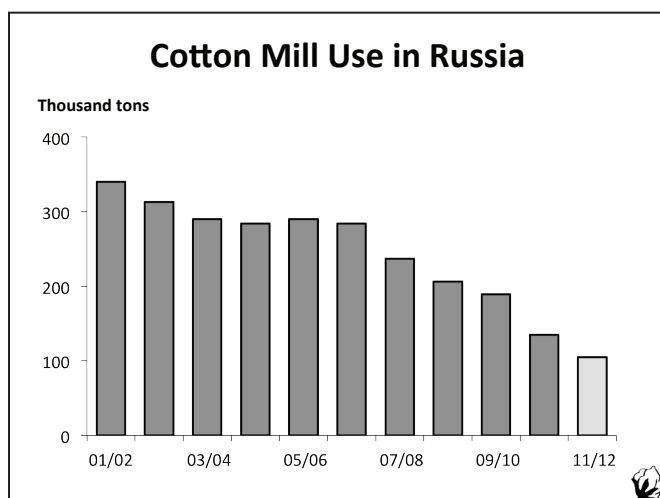


in the country. **Belgium** re-exports half of its cotton imports to other European countries. Mill use in the Czech Republic was estimated at 6,000 tons in 2011/12, down from 10,000 tons in the previous season. In **Spain**, cotton consumption declined to 7,000 tons. In Austria, cotton consumption was expected to decrease by a third to 4,000 tons in 2011/12. In **Switzerland**, cotton use has stabilized over the last few years and was estimated at 4,000 tons in 2011/12. One cotton spinning mill operates in **Switzerland**; it produces high-count cotton yarns. **Switzerland** is the location of many organizations servicing the cotton industry, including merchants, controllers, and banks. **Poland's** mill use fell by half to 2,400 tons in 2011/12. Two mills now spin cotton in **Poland**. Consumption of cotton waste has increased in recent years, to produce medical, hygienic and cosmetic products.

Consumption of cotton in Finland has stopped since the major spinning mill closed in 1998. The Netherlands import small quantities of cotton, which are re-exported. However, both Finland and the Netherlands import cotton fabrics for finishing and dyeing, and both countries have manufacturing industries that use cotton products.

Cotton use in the United Kingdom is now less than 1,000 tons, down from 465,000 tons in the 1950s. However, the United Kingdom remains the location of the International Cotton Association (ICA) and many companies servicing the cotton industry.

Cotton mill use in **Russia** continued its long-term decline. In 2011/12, it was estimated at 105,000 tons, or 22% lower than in the previous season. Production of cotton yarn and fabric also continued their downward trend. Imports of cotton decreased by 5% to 105,000 tons. Cotton spinning mills continue to either reduce or stop their activity, as the textile industry prefers to buy cotton yarn or fabric rather than producing it. Increasing costs of production, including high and volatile cotton prices, combined with difficulty to obtain lines of credit, are making the Russian cotton spinning industry less and less competitive over time.



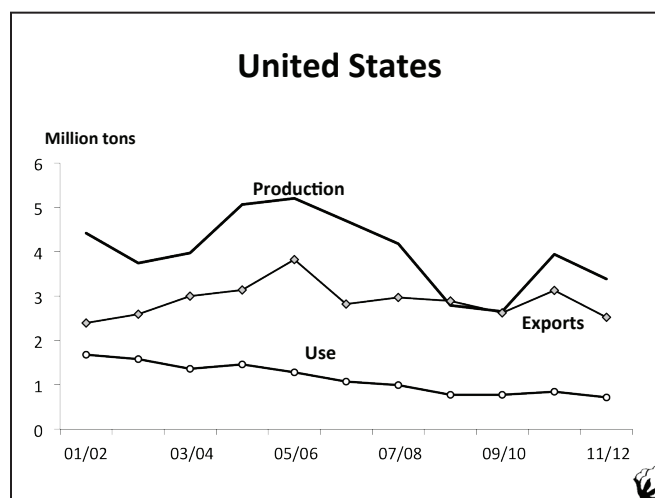
Decline in Cotton Production in North America

After rebounding strongly in 2010/11, cotton production in North America decreased by 11% to 3.7 million tons in 2011/12. This decline was due solely to a smaller US crop, whereas Mexican production was sharply up. Cotton consumption in North America resumed its long-term decline following three relatively stable years, and was down by 11% to 1.1 million tons in 2011/12.

After a strong rebound in 2010/11, cotton production in the **United States** decreased by 14% to 3.4 million tons in 2011/12. Attractive price ratios between cotton and competing crops (primarily corn and soybeans) drove planted area up by a third to 6 million hectares. Due to extreme drought in the Southwest, the abandonment rate jumped from a low of 2% in 2010/11 to a record of 36% in 2011/12. As a result, harvested area declined by 12% to 3.8 million hectares. The average yield declined slightly to 896 kg/ha. Almost two-third of the cotton planted area in Texas, including many rainfed fields, was abandoned, and the share of that state in total U.S. production dropped from 43% in 2010/11 to 22% in 2011/12.

While Upland cotton production decreased by 16% to 3.2 million tons, Pima cotton production leaped to 185,000 tons, 69% higher than in 2010/11. Extra-fine cotton plantings were stimulated by high prices and increased water allocations, and the abandonment rate remained very low. All U.S. Pima cotton is irrigated and most production takes place in California, where irrigation water supplies are known at the beginning of the season.

After a brief rebound in 2010/11, U.S. cotton mill use resumed its long-term decline in 2011/12, to 718,000 tons (-15%). The **United States** was the sixth largest consumer of raw cotton in 2011/12. The **United States** remains the largest market for cotton at the retail level, both in per capita terms and in total end-use cotton consumption. However, total and per capita U.S. retail consumption of cotton declined in 2011/12 due to the gloomy economic situation and the high cotton



prices prevailing in 2010 and 2011. Net domestic end-use consumption of cotton in the **United States** was estimated at 3.8 million tons in 2011, down by 15% from the previous year. Per capita domestic cotton consumption was estimated at 12.3 kg, down from 14.5 kg in 2011. The share of cotton in total domestic consumption of fiber decreased from 40.9% in 2010 to 37.5% in 2011, to the benefit of manmade fibers. The volume of U.S. imports of cotton products between August 2011 and March 2012 was estimated at 2.4 million tons, or 15% lower than over the same period in the previous season.

The **United States** is the largest exporter of cotton, usually accounting for over a third of global exports. U.S. cotton exports fell by 19% to 2.5 million tons in 2011/12 due to tight exportable supplies, including low beginning stocks and a smaller crop. The share of the **United States** in global exports dropped from 41% in 2010/11 to 27% in 2011/12, as the volume of international cotton trade was up significantly. Pima cotton exports, boosted by the larger crop, jumped by 26% to 136,000 tons, accounting for almost half of global trade of extra fine cotton.

Cotton production in Mexico continued to recovery strongly in 2011/12. It jumped by 75% to 274,000 ton, the largest crop in over two decades. High cotton prices and adequate irrigation water supplies encouraged farmers to expand cotton plantings by 68% to 195,000 hectares. The largest increases in area took place in Sonora and Chihuahua. Sunny and hot weather and an increase in the use of biotech seed may have helped the national average yield to improve slightly, to a record of 1,407 kg/ha. Marketing of the 2011/12 crop was slowed due to differences between producers and mills' price ideas.

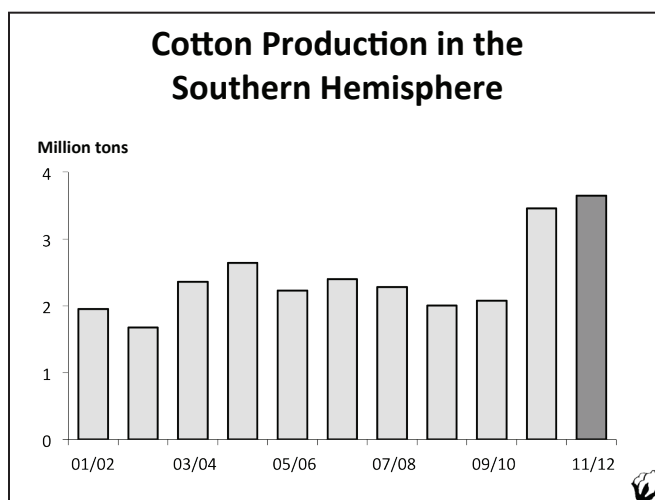
Cotton mill use in Mexico started to contract at the beginning of the 2000s, due to competition from imported Asian textile products in the **United States** and Canada. In 2011/12, cotton mill use was estimated stable at 390,000 tons. Mexico's imports were projected at 230,000 tons, down by 12% from the previous season due larger domestic supplies. Mexico remained the third largest importer of U.S. cotton (after China

and **Turkey**) and the eighth largest importer of cotton in the world in 2011/12.

Cotton consumption in Canada was estimated roughly stable at around 2,000 tons. Mill consumption in Central America (mainly El Salvador and Guatemala) was estimated around 43,000 tons, down by 30% from the previous season. Central American spinning mills use cotton imported mostly from the **United States**.

Record Cotton Production in the Southern Hemisphere

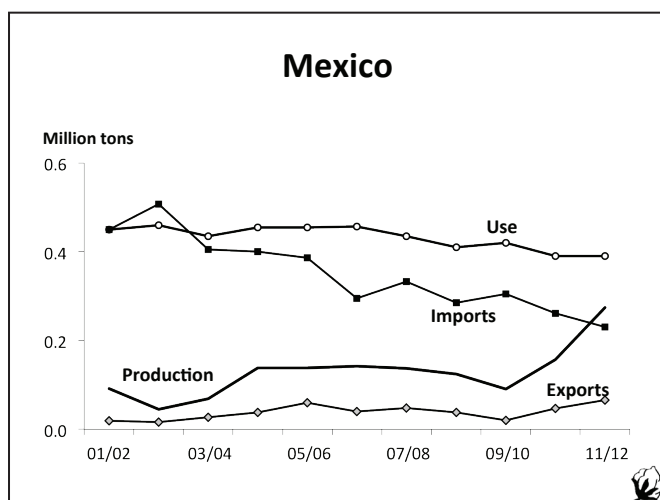
Cotton production in the southern hemisphere continued rising by 5% to a record of 3.6 million tons in 2011/12. This gain came mostly from increased production in **Australia**, where it reached a record of 1.1 million tons. Production in Southern America decreased by 5% to 2.2 million tons. The southern hemisphere accounted for 13% of world production in 2011/12, the same as in the previous season but up from 9% on average in the previous five years.

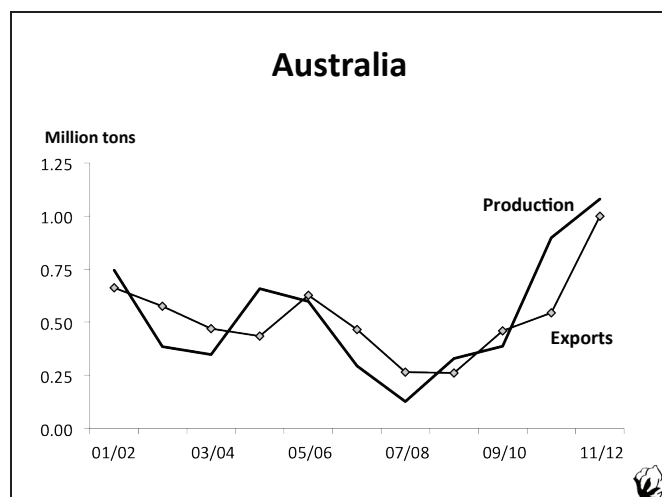


Production Climbs to a New Record in Australia

After several years of recurring drought, the return of rains since 2008 has encouraged a recovery in cotton production in **Australia**. In the last two seasons, it shot to record levels, boosted by high international cotton prices. Production increased from a 25-year low of 126,000 tons in 2007/08 to 898,000 tons in 2010/11, and rose to 1.1 million tons in 2011/12. **Australia** was the sixth largest cotton producer in 2011/12.

At planting time in 2011, cotton prices were still high, soil moisture was adequate and water reservoirs were almost full. This led to a 2% increase in cotton area to 600,000 hectares. Cotton plantings took place between September and November 2011. Heavy rains and flooding in some cotton areas in early 2012, due to the La Niña weather pattern reaching its peak,





impacted local yields. But drier weather afterwards allowed the crop to recover, and as the share of rainfed area in the national total decreased, the average national yield was up by 18% to 1,800 kg/ha. Cotton production increased by 17% to 664,000 tons in New South Wales and by 26% to 415,000 tons in Queensland.

Export shipments during 2011/12, including the unshipped balance of the 2010/11 crop, were projected at a record one million tons, up by 83% from the previous season. **Australia** was the third largest exporter of cotton in 2011/12, on par with **Brazil**.

Lower Cotton Production and Consumption in South America

After jumping to a record of 2.4 million tons in 2010/11, South American cotton production was estimated down by 5% to 2.2 million tons in 2011/12. This was the second largest cotton crop in history. While cotton area was stable at 2.1 million hectares, the average yield declined by 6% to 1,050 kg/ha. Cotton mill use in the region continued to weaken in 2011/12, to 1.2 million tons (-8%).

Production in **Brazil** declined in 2011/12 by 3% from its record level of 2 million tons reached in the previous season. In the first half of 2011, cotton area in **Brazil** was expected to continue to increase in 2011/12. However, as cotton prices weakened in the second half of the year, competing crops such as corn and soybeans gained in competitiveness. This was somewhat ameliorated by the decline in their own prices as cotton planting time approached. Eventually, cotton area remained stable at 1.4 million hectares, with a decline in Goias offset by expansions in Bahia and in the Norte. Most conventional cotton was planted in November and December 2011, whereas “safrinha” and high-density cotton was planted in January and February 2012, after early soybeans. Safrinha plantings were delayed this year by heavy rainfall. Dry conditions prevailed in Bahia in the early part of the growth period, affecting yields and output, but that effect was partially offset by improved yields and production in Mato Grosso. The

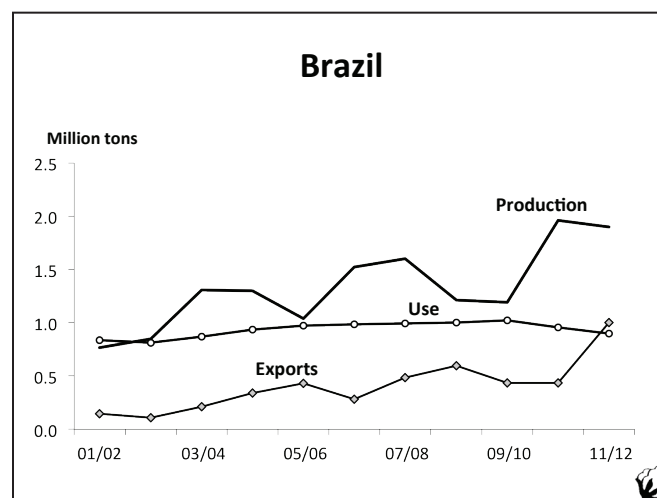
national average yield in 2010/11 was estimated at 1,361 kg/ha, slightly down from the previous season. **Brazil** was the fifth largest producer of cotton in 2011/12.

Cotton mill use in **Brazil** declined in 2011/12 for the second consecutive season, to 900,000 tons (-6%). Most cotton mill use is directed towards the domestic market. However, a significant increase in imports of yarn and finished textile products from Asia, helped by a strong real, and high cotton prices resulted in a slowing of spinning operations and/or an increase in the share of polyester in blends. **Brazil** remained the fifth largest consumer of cotton in 2011/12.

Cotton exports from **Brazil**, including the unshipped balance of the 2010/11 crop, more than doubled to a record of one million tons in 2011/12. This increase reflected the record crop of 2010/11 as well as increased export demand, primarily from China. Cotton imports, after jumping to 150,000 tons in 2010/11, dropped back to 10,000 tons in 2011/12 due to ample domestic supplies.

After two years of strong increase, cotton production in **Argentina** fell by 29% to 210,000 tons in 2011/12. Harvested area was estimated down by 2% to 540,000 hectares. The crop was affected by significant drought and the average yield was projected at 389 kg/ha, the lowest in seven years. Cotton mill use in **Argentina** was estimated down by 10% to 135,000 tons in 2011/12. Consumption has been trending down since 2007/08. As a result of a significant recovery in production, **Argentina** switched from being a net cotton importer between 2002/03 and 2009/10 to being a net exporter since 2010/11. **Argentina** imported only 8,000 tons of cotton in 2011/12 but exported an estimated 70,000 tons.

Cotton production in **Colombia** was estimated at 41,000 tons in 2011/12, up by 17% from the previous season, and the largest in five years. This is the second consecutive season of production recovery. This season the gain in production came exclusively from an expansion in cotton plantings in the Coastal region, driven by farmers' expectation to receive high prices. Cotton area in the Coastal region jumped from



29,000 ha to 38,000 hectares, whereas cotton area in the Interior region remained stable at 14,000 hectares. The average yield was slightly lower at 784 kg/ha. Cotton mill use in **Colombia** was estimated down by 7% to 75,000 tons due to the substitution effect for imported yarns and high cotton prices. Imports were estimated at 18,000 tons, significantly lower than in the previous seasons, as a result of the larger crop and the smaller consumption level.

Cotton production in **Peru** was estimated at 44,000 tons in 2011/12, slightly higher than in the previous season. The partial recovery in production since 2009/10 has been led by an increase in planted area. Consumption was estimated around 94,000 tons in 2011/12, down by 15% from 2010/11

due to competition from imported yarn, mostly from **India**. **Peru's** cotton imports fell by 40% to 46,000 tons in 2011/12. Most imported cotton comes from the **United States**.

After reaching a 50-year low of 5,000 tons in 2009/10, production in **Paraguay** partially recovered in the next two seasons, reaching 28,000 tons in 2011/12. Higher cotton prices and improved attractiveness relative to competing crops are the main reasons behind the recovery in cotton plantings. Cotton area reached 56,000 hectares in 2011/12, almost double the area planted in the previous season. The average yield increased to 500 kg/ha. Cotton mill use in **Paraguay** was estimated at 8,000 tons in 2011/12, and exports at 19,000 tons.





2011/12 SUPPLY AND USE OF COTTON BY COUNTRY

August 1, 2012

	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	1	1		0	0.25	0.25
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	195	1,407	274	106	230	390	66	154	0.34	0.39
USA	3,829	886	3,391	566	4	718	2,526	717	0.22	1.00
N. America	4,032	909	3,667	674	239	1,115	2,592	872	0.24	0.78
EL SALVADOR				7	19	22		5	0.22	0.22
GUATEMALA				5	20	21		4	0.21	0.21
HONDURAS	0	316	0		0			0		
C. America	2	510	1	13	39	43	0	9	0.21	0.21
ARGENTINA	540	389	210	253	8	135	70	266	1.30	1.97
BOLIVIA	5	531	3	1	1	4	0	1	0.16	0.17
BRAZIL	1,396	1,361	1,900	1,400	10	900	1,000	1,410	0.74	1.57
CHILE				1	0	1		0	0.18	0.18
COLOMBIA	52	784	41	41	18	75	0	24	0.32	0.33
ECUADOR	1	435	1	3	13	14		3	0.18	0.18
PARAGUAY	56	500	28	8		8	19	9	0.34	1.14
PERU	55	808	44	31	46	94	2	26	0.27	0.28
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	365	6	2	2	8		1	0.17	0.17
S. America	2,121	1,053	2,232	1,739	99	1,238	1,091	1,741	0.75	1.41
ALGERIA				1	4	4		1	0.20	0.20
EGYPT	221	821	181	45	25	100	93	58	0.30	0.58
MOROCCO				8	36	36		8	0.22	0.22
SUDAN	111	395	44	10		2	2	49	12.04	23.52
TUNISIA				2	13	13		3	0.21	0.21
N. Africa	331	678	225	66	78	155	95	119	0.48	0.77
BENIN	208	360	75	16		4	60	27	0.42	6.71
BURKINA FASO	429	352	151	50		4	138	58	0.41	14.56
CAMEROON	149	523	78	17		2	69	24	0.34	12.74
CENT. AFR. REP.	38	235	9	2			7	4	0.52	
CHAD	172	183	32	14		1	24	21	0.85	41.60
COTE D'IVOIRE	261	396	103	24		2	93	32	0.34	16.17
GUINEA	14	276	4	1			4	2	0.42	
MADAGASCAR				3				3		
MALI	478	390	187	16		3	130	70	0.52	23.25
NIGER	5	444	2	0		1			0.11	0.25
SENEGAL	27	406	11	1		1	9	3	0.28	3.46
TOGO	99	339	34	3			33	3	0.10	
F. Africa	1,881	364	685	147		17	568	247	0.42	14.40
ANGOLA	3	299	1	0		1		0	0.22	0.27
ETHIOPIA	89	239	21	24	1	23	2	22	0.87	0.96
GHANA	20	360	7	1	1	1	6	3	0.42	2.17
KENYA	43	130	6	3	2	9		2	0.23	0.23
MALAWI	200	200	40	13		3	24	25	0.92	8.38
MOZAMBIQUE	170	190	32	17			26	23	0.89	
NIGERIA	350	180	63	16	1	20	32	29	0.56	1.46
SOUTH AFRICA	13	1,001	13	14	17	18	20	7	0.18	0.38
TANZANIA	500	240	120	66		29	45	112	1.52	3.87
UGANDA	100	470	47	6		1	31	21	0.65	18.39
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	460	191	88	38			60	66	1.09	
ZIMBABWE	450	246	111	71		7	96	78	0.76	11.18
S. Africa	2,420	229	554	276	52	144	343	395	0.81	2.74
KAZAKHSTAN	140	571	80	8	1	15	62	13	0.17	0.87
KYRGYZSTAN	20	754	15	3	3	2	16	3	0.16	1.46
TAJIKISTAN	201	597	120	44		7	120	37	0.29	5.49
TURKMENISTAN	550	573	315	199		125	120	269	1.10	2.16
UZBEKISTAN	1,316	669	880	307	1	273	532	383	0.48	1.40
C. Asia	2,227	633	1,410	561	5	421	850	705	0.55	1.67



2011/12 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) August 1, 2012

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha			000 Metric Tons				Ratio	Ratio
AUSTRIA				1	5	4		1	0.16	0.20
AZERBAIJAN	48	500	24	2		10	2	14	1.19	1.43
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				2	14	4	10	1	0.10	0.32
BULGARIA	1	321	0	1	2	2		1	0.34	0.34
CZECH REP.				2	5	6	0	1	0.21	0.21
DENMARK										
ESTONIA										
FINLAND										
FRANCE				2	19	15	3	3	0.15	0.18
GERMANY				8	43	36	8	7	0.17	0.20
GREECE	300	933	280	17	3	25	200	75	0.33	2.99
HUNGARY				0	2	2		0	0.15	0.15
IRELAND				0	0	0		0	0.19	0.19
ITALY				12	52	49	5	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				0	5	5		0	0.09	
NORWAY										
POLAND				0	2	2		0	0.08	0.08
PORTUGAL				5	23	23		5	0.22	0.22
ROMANIA				0	1	1		0	0.13	0.13
RUSSIA	1	516	1	20	105	105		21	0.20	0.20
SLOVAK REP.										
SPAIN	67	890	60	8	4	7	52	13	0.22	1.88
SWEDEN				0	0	0		0	0.24	0.24
SWITZERLAND				1	4	4	0	1	0.22	0.23
UKRAINE				1	4	4		1	0.21	0.21
UNITED KINGDOM				0	0	0		0	0.22	0.22
FORMER YUGOSLAVIA				1	6	6		1	0.22	0.22
Europe	417	874	365	92	315	328	281	163	0.23	0.50
Including EU-27	368	924	340	61	181	184	279	119	0.26	0.65
CHINA	5,528	1,339	7,400	2,087	5,200	8,635	5	6,047	0.70	0.70
TAIWAN				43	174	178		39	0.22	0.22
HONG KONG				12	40	12	32	9	0.20	0.75
Sub total	5,528	1,339	7,400	2,143	5,414	8,825	37	6,095	0.69	0.69
AUSTRALIA	600	1,800	1,080	459	0	8	1,000	531	0.53	63.36
INDONESIA	9	711	6	124	433	444	4	115	0.26	0.26
JAPAN				19	61	63		17	0.27	0.27
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				43	250	243		50	0.20	0.20
MALAYSIA				34	200	35	170	29	0.14	0.83
PHILIPPINES	0	563	0	3	5	7		1	0.21	0.21
SINGAPORE				2	1		1	2	1.21	
THAILAND	2	513	1	77	245	270		53	0.20	0.20
VIETNAM	10	461	5	77	360	370		72	0.19	0.19
E. Asia	641	1,716	1,100	841	1,560	1,453	1,176	873	0.33	0.60
AFGHANISTAN	50	410	20	20		4	16	20	0.99	4.87
BANGLADESH	36	400	14	194	650	700		158	0.23	0.23
INDIA	12,191	481	5,865	1,665	120	4,421	2,009	1,220	0.19	0.28
MYANMAR	349	581	203	93		192		104	0.54	0.54
PAKISTAN	3,000	765	2,294	384	178	2,121	257	478	0.20	0.23
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	15,629	537	8,399	2,358	949	7,442	2,282	1,982	0.20	0.27
IRAN	117	504	59	28	67	130		24	0.18	0.18
IRAQ	20	358	7	1	5	13		1	0.09	0.09
ISRAEL	9	1,930	17	1			17	1	0.08	
SYRIA	186	1,140	212	54		135	3	128	0.93	0.95
TURKEY***	542	1,384	750	275	500	1,250	7	268	0.21	0.21
Sub total	912	1,162	1,060	366	583	1,552	27	429	0.50	0.28
WORLD TOTAL	36,122	750	27,089	9,274	9,333	22,726	9,342	13,628	0.60	0.60

*/ Ending stocks divided by consumption plus exports.

Subtotals and total include countries not shown.

**/ Ending stocks divided by consumption.

***/ Turkey's production and consumption estimates are currently under review within the Secretariat.



2012/13 SUPPLY AND USE OF COTTON BY COUNTRY

August 1, 2012

	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	1	1		0	0.26	0.26
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	153	1,350	207	154	206	351	55	160	0.39	0.46
USA	4,096	878	3,594	717	4	675	2,556	1,084	0.34	1.61
N. America	4,258	893	3,803	872	215	1,033	2,611	1,246	0.34	1.21
EL SALVADOR				5	22	22		5	0.22	0.22
GUATEMALA				4	21	21		4	0.21	0.21
HONDURAS	0	316	0	0				0		
C. America	2	510	1	9	42	43	0	9	0.21	0.21
ARGENTINA	350	470	164	266	8	135	52	252	1.34	1.86
BOLIVIA	5	536	3	1	1	3		1	0.21	0.21
BRAZIL	1,047	1,426	1,493	1,410	17	909	482	1,530	1.10	1.68
CHILE				0	1	1		0	0.18	0.18
COLOMBIA	33	788	26	24	46	72	0	24	0.34	0.34
ECUADOR	1	440	1	3	14	14		3	0.18	0.18
PARAGUAY	50	370	19	9		8	13	7	0.33	0.87
PERU	50	816	40	26	53	92	2	26	0.28	0.29
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	368	6	1	2	8		1	0.17	0.17
S. America	1,551	1,129	1,751	1,741	143	1,242	549	1,844	1.03	1.48
ALGERIA				1	4	4		1	0.20	0.20
EGYPT	142	811	115	58	86	115	90	55	0.27	0.47
MOROCCO				8	36	36		8	0.22	0.22
SUDAN	100	399	40	49		2	29	58	1.87	26.36
TUNISIA				3	13	13		3	0.21	0.21
N. Africa	242	641	155	119	139	170	119	124	0.43	0.73
BENIN	250	360	90	27		4	75	38	0.48	9.49
BURKINA FASO	600	350	210	58		4	176	88	0.49	22.09
CAMEROON	210	464	97	24		2	75	45	0.59	23.65
CENT. AFR. REP.	38	237	9	4			9	4	0.40	
CHAD	270	175	47	21		1	38	29	0.76	58.57
COTE D'IVOIRE	274	396	108	32		2	99	40	0.40	20.08
GUINEA	14	289	4	2			4	2	0.40	
MADAGASCAR				3				3		
MALI	546	380	207	70		3	181	93	0.51	31.12
NIGER	5	448	2	0		1			0.11	0.25
SENEGAL	31	375	11	3		1	10	3	0.26	3.76
TOGO	104	300	31	3			30	4	0.14	
F. Africa	2,340	350	818	247		17	698	350	0.49	20.41
ANGOLA	3	302	1	0		1		0	0.23	0.34
ETHIOPIA	80	241	19	22	1	21	3	17	0.70	0.81
GHANA	18	364	7	3	1	1	5	4	0.59	2.97
KENYA	39	170	7	2	2	9		2	0.21	0.21
MALAWI	180	202	36	25		3	36	23	0.59	7.59
MOZAMBIQUE	153	192	29	23			33	19	0.57	
NIGERIA	315	182	57	29	1	19	40	28	0.47	1.45
SOUTH AFRICA	11	960	10	7	27	18	20	7	0.18	0.38
TANZANIA	400	242	97	112		29	88	93	0.80	3.20
UGANDA	70	270	19	21		1	29	9	0.31	8.16
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	276	200	55	66			73	47	0.65	
ZIMBABWE	405	278	112	78		5	105	81	0.73	16.15
S. Africa	1,972	231	455	395	62	140	435	337	0.59	2.40
KAZAKHSTAN	133	574	76	13	1	15	60	15	0.20	1.01
KYRGYZSTAN	19	758	14	3	3	2	15	3	0.17	1.46
TAJIKISTAN	191	550	105	37		7	96	39	0.38	5.82
TURKMENISTAN	550	576	317	269		138	145	303	1.07	2.20
UZBEKISTAN	1,285	670	861	383	1	281	529	435	0.54	1.55
C. Asia	2,178	631	1,373	705	5	442	846	795	0.62	1.80



2012/13 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) July 2, 2012

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha			000 Metric Tons				Ratio	Ratio
AUSTRIA				1	4	4		1	0.21	0.21
AZERBAIJAN	33	450	15	14		10	7	12	0.67	1.16
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				1	14	4	10	1	0.10	0.33
BULGARIA	1	321	0	1	2	2		0	0.24	0.24
CZECH REP.				1	6	6	0	1	0.21	0.22
DENMARK										
ESTONIA										
FINLAND										
FRANCE				3	17	15	3	3	0.15	0.17
GERMANY				7	39	33	6	7	0.17	0.21
GREECE	270	930	251	75	2	21	205	102	0.45	4.79
HUNGARY				0	1	1		0	0.15	0.15
IRELAND				0	0	0		0	0.21	0.21
ITALY				10	50	47	4	10	0.20	0.22
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				0	5	5		0	0.09	
NORWAY										
POLAND				0	2	2		0	0.08	0.08
PORTUGAL				5	22	22		5	0.23	0.23
ROMANIA				0	1	1		0	0.13	0.13
RUSSIA	1	519	1	21	98	97		23	0.24	0.24
SLOVAK REP.										
SPAIN	67	800	54	13	4	7	49	15	0.27	2.26
SWEDEN				0	0	0		0	0.25	0.25
SWITZERLAND				1	4	4	0	1	0.23	0.23
UKRAINE				1	4	4		1	0.22	0.22
UNITED KINGDOM				0	0	0		0	0.23	0.23
FORMER YUGOSLAVIA				1	6	6		1	0.22	0.22
Europe	372	861	321	163	300	308	285	190	0.23	0.62
Including EU-27	338	903	305	119	173	172	278	147	0.33	0.85
CHINA	4,975	1,290	6,417	6,047	2,645	8,635	5	6,469	0.75	0.75
TAIWAN				39	169	169		39	0.23	0.23
HONG KONG				9	40	11	29	9	0.22	0.79
Sub total	4,975	1,290	6,417	6,095	2,854	8,815	34	6,517	0.74	0.74
AUSTRALIA	525	2,000	1,050	531	0	8	885	689	0.77	86.49
INDONESIA	9	714	6	115	455	461	4	111	0.24	0.24
JAPAN				17	56	57		16	0.28	0.28
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				50	238	238		50	0.21	0.21
MALAYSIA				29	200	35	170	24	0.12	0.69
PHILIPPINES	0	566	0	1	7	7		1	0.21	0.21
SINGAPORE				2	1		1	1	0.80	
THAILAND	2	516	1	53	260	257		58	0.23	0.23
VIETNAM	11	463	5	72	400	396		80	0.20	0.20
E. Asia	567	1,888	1,070	873	1,621	1,471	1,061	1,033	0.41	0.70
AFGHANISTAN	50	410	20	20		4	18	18	0.80	4.34
BANGLADESH	36	402	14	158	778	749		202	0.27	0.27
INDIA	10,972	495	5,431	1,220	120	4,730	679	1,361	0.25	0.29
MYANMAR	349	584	204	104		192		117	0.61	0.61
PAKISTAN	2,940	680	1,999	478	419	2,227	120	549	0.23	0.25
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	14,350	535	7,671	1,982	1,319	7,906	818	2,248	0.26	0.28
IRAN	110	509	56	24	74	130		24	0.18	0.18
IRAQ	20	360	7	1	5	13		1	0.09	0.09
ISRAEL	8	1,786	15	1			15	1	0.09	
SYRIA	171	1,100	188	128		125	20	171	1.18	1.37
TURKEY***	407	1,550	630	268	707	1,300	7	299	0.23	0.23
Sub total	755	1,208	911	429	797	1,592	43	502	0.63	0.32
WORLD TOTAL	33,542	738	24,740	13,628	7,498	23,174	7,498	15,194	0.66	0.66

*/ Ending stocks divided by consumption plus exports.

Subtotals and total include countries not shown.

**/ Ending stocks divided by consumption.

***/ Turkey's production and consumption estimates are currently under review within the Secretariat.



SUPPLY AND DISTRIBUTION OF COTTON

August 1, 2012

Seasons begin on August 1

	2007/08	2008/09	2009/10	2010/11 Est.	2011/12 Proj.	2012/13 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	12.81	12.26	11.94	8.64	9.27	13.63
CHINA	3.65	3.32	3.59	2.69	2.09	6.05
USA	2.06	2.19	1.38	0.64	0.57	0.72
PRODUCTION*						
WORLD TOTAL	26.07	23.45	22.17	25.10	27.09	24.74
CHINA	8.07	8.03	6.93	6.40	7.40	6.42
INDIA	5.22	4.93	5.19	5.76	5.87	5.43
USA	4.18	2.79	2.65	3.94	3.39	3.59
PAKISTAN	1.90	1.93	2.07	1.91	2.29	2.00
BRAZIL	1.60	1.21	1.19	1.96	1.90	1.49
UZBEKISTAN	1.21	1.00	0.85	0.91	0.88	0.86
OTHERS	3.89	3.57	3.29	4.22	5.36	4.94
CONSUMPTION*						
WORLD TOTAL	26.69	23.82	25.47	24.52	22.73	23.17
CHINA	10.90	9.27	10.19	9.58	8.64	8.64
INDIA	4.05	3.87	4.30	4.59	4.42	4.73
PAKISTAN	2.65	2.52	2.39	2.10	2.12	2.23
EAST ASIA & AUSTRALIA	1.89	1.71	1.89	1.80	1.64	1.65
EUROPE & TURKEY	1.75	1.41	1.55	1.50	1.45	1.48
BRAZIL	0.99	1.00	1.02	0.96	0.90	0.91
USA	1.00	0.77	0.77	0.85	0.72	0.68
CIS	0.66	0.60	0.60	0.57	0.55	0.57
OTHERS	2.79	2.67	2.74	2.57	2.29	2.30
EXPORTS						
WORLD TOTAL	8.47	6.61	7.81	7.62	9.34	7.50
USA	2.97	2.89	2.62	3.13	2.53	2.56
INDIA	1.63	0.52	1.42	1.09	2.01	0.68
AUSTRALIA	0.27	0.26	0.46	0.55	1.00	0.88
BRAZIL	0.49	0.60	0.43	0.44	1.00	0.48
UZBEKISTAN	0.92	0.65	0.82	0.60	0.53	0.53
CFA ZONE	0.60	0.47	0.56	0.48	0.56	0.69
IMPORTS						
WORLD TOTAL	8.54	6.65	7.93	7.73	9.33	7.50
CHINA	2.51	1.52	2.37	2.61	5.20	2.64
EAST ASIA & AUSTRALIA	1.93	1.71	1.99	1.82	1.77	1.83
EUROPE & TURKEY	1.08	0.86	1.17	0.97	0.69	0.89
PAKISTAN	0.85	0.42	0.34	0.31	0.18	0.42
CIS	0.27	0.23	0.21	0.13	0.13	0.12
TRADE IMBALANCE 1/	0.07	0.04	0.12	0.10	-0.01	0.00
STOCKS ADJUSTMENT 2/	0.00	0.01	-0.12	-0.05	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	12.26	11.94	8.64	9.27	13.63	15.19
CHINA	3.32	3.59	2.69	2.09	6.05	6.47
USA	2.19	1.38	0.64	0.57	0.72	1.08
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	57	57	39	48	54	60
CHINA 4/	30	39	26	22	70	75
COTLOOK A INDEX 5/	72.90	61.20	77.54	164.26	100	

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.

* Turkey's production and consumption estimates are currently under review within the Secretariat.