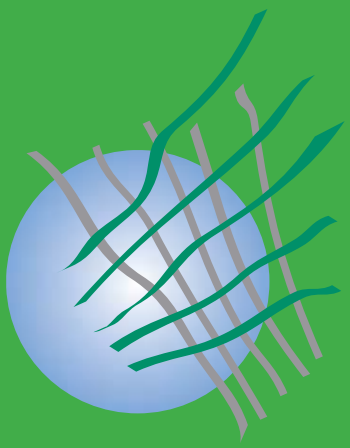
International Cotton Advisory Committee



Discover
Natural
Fibres
Initiative

COTTON : Review of the World Situation

Volume 64 - Number 6
July-August 2011

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ICAC

SUPPLY AND DISTRIBUTION OF COTTON

July 20, 2011

Seasons begin on August 1

	2006/07	2007/08	2008/09	2009/10 Est.	2010/11 Proj.	2011/12 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	**12.536**	**12.749**	**12.211**	**11.900**	**8.52**	**8.72**
CHINA	3.991	3.653	3.321	3.585	2.78	2.16
USA	1.321	2.064	2.188	1.380	0.64	0.60
PRODUCTION						
WORLD TOTAL	**26.766**	**26.073**	**23.455**	**22.030**	**24.73**	**27.00**
CHINA	7.975	8.071	8.025	6.925	6.40	7.19
INDIA	4.760	5.219	4.930	5.050	5.30	5.78
USA	4.700	4.182	2.790	2.654	3.94	3.48
BRAZIL	1.524	1.602	1.214	1.194	2.05	2.11
PAKISTAN	2.121	1.900	1.926	2.070	1.91	2.17
UZBEKISTAN	1.171	1.206	1.000	0.850	0.91	0.97
OTHERS	4.514	3.894	3.569	3.287	4.22	5.29
CONSUMPTION						
WORLD TOTAL	**26.487**	**26.540**	**23.690**	**25.249**	**24.55**	**25.08**
CHINA	10.600	10.900	9.265	10.099	9.59	9.83
INDIA	3.944	4.053	3.872	4.328	4.50	4.68
PAKISTAN	2.633	2.649	2.519	2.393	2.20	2.24
EAST ASIA & AUSTRALIA	1.858	1.829	1.674	1.861	1.78	1.77
EUROPE & TURKEY	2.084	1.744	1.409	1.550	1.48	1.49
BRAZIL	0.987	1.001	0.994	1.002	1.00	1.02
USA	1.074	0.998	0.781	0.754	0.83	0.83
CIS	0.681	0.664	0.596	0.605	0.57	0.58
OTHERS	2.625	2.703	2.579	2.658	2.59	2.63
EXPORTS						
WORLD TOTAL	**8.048**	**8.355**	**6.593**	**7.772**	**7.68**	**8.06**
USA	2.821	2.968	2.887	2.621	3.16	2.51
INDIA	0.960	1.530	0.515	1.420	1.03	1.01
UZBEKISTAN	0.980	0.900	0.630	0.820	0.60	0.65
AUSTRALIA	0.465	0.265	0.261	0.460	0.60	0.92
CFA ZONE	0.928	0.602	0.466	0.561	0.47	0.56
BRAZIL	0.283	0.486	0.596	0.433	0.44	0.88
IMPORTS						
WORLD TOTAL	**8.122**	**8.380**	**6.506**	**7.766**	**7.71**	**8.06**
CHINA	2.306	2.511	1.523	2.374	2.60	3.26
EAST ASIA & AUSTRALIA	1.899	1.860	1.665	1.894	1.79	1.81
EUROPE & TURKEY	1.340	1.081	0.861	1.176	0.98	0.89
PAKISTAN	0.502	0.851	0.417	0.344	0.33	0.28
CIS	0.319	0.267	0.231	0.210	0.14	0.15
TRADE IMBALANCE 1/	**0.075**	**0.026**	**-0.087**	**-0.006**	**0.03**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.140**	**-0.097**	**0.011**	**-0.154**	**-0.01**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**12.749**	**12.211**	**11.900**	**8.520**	**8.72**	**10.64**
CHINA	3.653	3.321	3.585	2.780	2.16	2.77
USA	2.064	2.188	1.380	0.642	0.60	0.74
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	**57**	**57**	**58**	**38**	**44**	**52**
CHINA 4/	**34**	**30**	**39**	**28**	**22**	**28**
COTLOOK A INDEX 5/	**59.15**	**72.90**	**61.20**	**77.54**	**164.26**	

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.

COTTON PRICE TRENDS IN 2010/11

By Armelle Gruère, Alejandro Plastina and Terry Townsend, ICAC

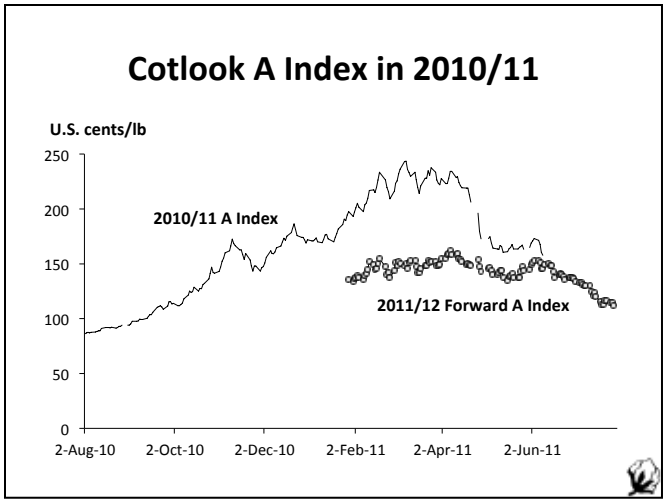
Record International Cotton Prices

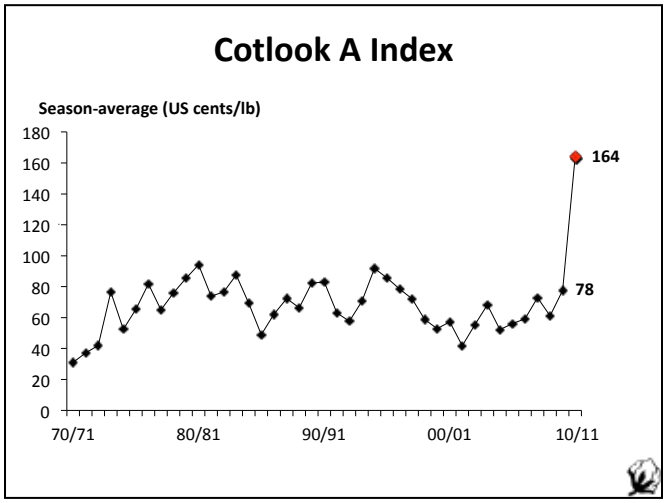
International cotton prices increased sharply in 2010/11. The Cotlook A Index was 86 cents per pound on August 1, 2010; it reached a record of $2.44 per pound on March 8, 2011. The increase over these seven months was almost continuous, and the monthly average gain was 20 cents per pound. It is the first time in cotton history that such a fast and large price increase was recorded. Between March 9, 2011 and April 8, 2011, the Cotlook A Index fluctuated between $2.14 per pound and $2.38 per pound. Then it started a rapid descent: in less than a month, it fell from $2.34 per pound (April 8) to $1.64 per pound (May 6). It stabilized again for one month, moving between $1.61 and $1.73 per pound. On June 9, 2011, the Index fell below $1.60 per pound for the first time in six months. This was the last day of publication of the 2010/11 Cotlook A Index, due to a lack of representative quotations.

The Cotlook A Index averaged $1.64 per pound in 2010/11, twice as high as the 2009/10 average and 70 cents higher than the previous record of 94 cents per pound in 1994/95. There are both fundamental supply and demand factors, and other factors outside the traditional measures of cotton supply and demand, that caused prices to rise in 2010/11. First, the global stocks-to-use ratio fell to 34% at the end of 2009/10, the third lowest ratio of stocks-to-use since the 1950s. This ending stocks-to-use ratio, equivalent to just four months of consumption, was too low for uninterrupted operation of textile mills, and the market reacted by raising prices sufficiently to ration demand. The roots of the rise in cotton prices during 2010/11 were established during the recession in 2008 and 2009 when inventories throughout the cotton value chain, from cotton producers to retailers, were drawn lower. As consumer demand rebounded with unanticipated vigor in 2010, participants in the cotton value chain scrambled to fill pipeline stocks, resulting in upward pressure on prices. Global cotton production rebounded by 12% to 24.7 million tons in 2010/11. However, over 40% of the production gain took place in the Southern Hemisphere and was not physically available until late in the season (while most cotton mill use takes place in the Northern Hemisphere).

In addition to these fundamental factors, there were other factors that caused cotton prices to more than double in 2010/11, including limits on exports, the actions of state owned enterprises and defaults on contracts.

After their record of early March 2011, international cotton prices fell considerably in April and May. The main reason explaining the drop of cotton prices seems to be slowing demand. Cotton spinners, faced with high prices of raw materials and difficulties to access credit on the one side, and declining prices of cotton yarn on the other side, reduced their activity. Prices of chemical fibers remained much lower than cotton prices, encouraging an increased switch to chemical fibers.





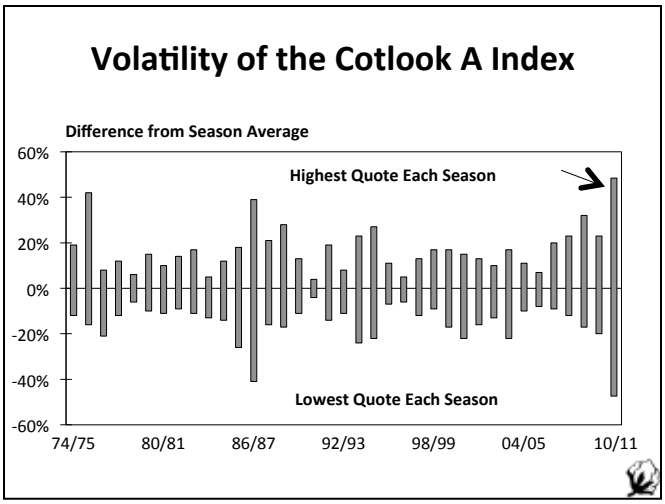
Cotton (ISSN 0010-9754) is published every two months by the Secretariat of the International Cotton Advisory Committee, 1629 K Street, NW, Suite 702, Washington DC. Editor: Armelle Gruère <armelle@icac.org>. Desktop publishing: Carmen S. León. Subscription rate: $230.00 (hard copy); $185.00 (electronic version). Send address changes to COTTON, 1629 K Street, NW, Suite 702, Washington DC 20006-1636.

Record Price Volatility in 2010/11

In 2010/11, cotton prices reached not only record levels but also record variability. The ICAC Secretariat usually reports volatility measures in terms of the relative spread and the coefficient of variation of prices during the season. These volatility measures indicate the dispersion of prices relative to the season average price. The relative spread is the ratio of the difference between the maximum price and the minimum price to the average price observed during a season. The maximum value of the Cotlook A Index during 2010/11 was reached on March 8, 2011 at $2.44 per pound, while the minimum corresponded to the first day of the season at $0.86 per pound. The A Index averaged $1.64 per pound in 2010/11. Therefore, the relative spread of the A Index amounted to 96%, the highest on record. The second highest relative spread of the A Index was registered in 1986/87 and amounted to 81%.

The coefficient of variation is calculated as the ratio of the standard deviation of daily prices to the average price observed during a season. For 2010/11, the coefficient of variation of the A Index amounted to 28%, the highest on record. The second highest coefficient of variation of the A Index was observed in 1986/87 and amounted to 22%. In both years, sustained demand growth pushed cotton prices higher. However, while in 1986/87 demand remained strong during the entire season against the backdrop of a crop failure resulting in continuously increasing prices, in 2010/11 demand collapsed starting in the third quarter, resulting in increasing prices during the first seven months of the season and declining prices in the remaining four.

Historically, there has been no clear-cut relationship between the level of prices and their volatility. Furthermore, there has been no trend increase in the volatility of cotton prices since the 1980's. Volatility in the 2010/11 season was unusually high and is not likely to be repeated soon. However, high volatility could resurface if speculation in cotton futures surges as global investors rebalance their portfolios from treasuries and stocks towards commodities.



Small Impact of Variations in Exchange Rates

In the seven months to March 8, 2011, the Cotlook A Index jumped by 182% to a record of $2.44 per pound, dwarfing the moderate weakening of the U.S. dollar over the same period. Therefore, most of the considerable increase in international cotton prices that took place in 2010/11 was reflected in domestic currencies. However, these trends did not always reflect the trend in prices received by cotton farmers, as explained later.

The Cotlook A Index declined significantly between March and June 2011, reaching $1.58 on June 9, 2011, the last day of its publication. Over the same period, the U.S. dollar continued to weaken against many currencies, this time slightly widening the decline in prices when expressed in domestic currencies. (See table next page).

Trends in Cotton Prices Received by Farmers

Cotton prices in major producing countries increased considerably in 2010/11. However, prices received by farmers often did not increase as much as the trend in international prices suggests. In the United States for example, many farmers sold their cotton early in the season, before prices hit their peak. As a result, the increase in U.S. cotton farm prices was less significant than the increase in U.S. spot prices. The average of monthly U.S. cotton farm prices between August 2010 and June 2011, as reported by the USDA, was 81 cents per pound, only 34% higher than the average over the same period in 2009/10. There is little published data on farm prices for countries other than the United States, but it is possible that a large portion of the crop in Northern Hemisphere countries was sold early in the season, right after harvest, as prices were then quite attractive to farmers compared to previous seasons, but still much lower than prices later in the season. In countries where farmers are paid a fixed seedcotton price (such as in West and Central Africa), the increases in prices paid to farmers in 2010/11 (including the pre-planting fixed price and the bonuses paid at the end of the season) were significant but did not match the increase observed in international cotton prices.

Farmers in the Southern Hemisphere may have been able to sell their cotton at higher prices in early 2011, but forward sales are important in Australia and Brazil, and cotton prices declined starting in April 2011. In June 2011, the Australian Bureau of Agricultural and Resource Economics (ABARE) projected the average index of cotton prices received by farmers at 132.4 in 2010/11, 35% higher than in 2009/10.[1]

1) Indexes of prices received by farmers, published in Australian Commodities, vol. 18 no 2, June quarter 2011. The indexes for commodity groups are calculated on a chained weight basis using Fisher's ideal index with a reference year of 1997–98 = 100. Indexes for most individual commodities are based on annual gross unit value of production.

IMPACT OF EXCHANGE RATES ON COTTON PRICES IN DOMESTIC CURRENCIES

	Domestic Currency/US$					A Index					
	2-Aug-10	08-Mar-11	9-Jun-11	% Change	% Change	2-Aug-10	8-Mar-11	9-Jun-11	% Change	% Change	% Change
				Aug. to March	March to June	U.S. cents/lb			Aug. to March	March to June	Aug to June
						86.30	243.65	157.90	182%	-35%	83%
						Domestic currency/lb					
Argentina	3.94	4.03	4.09	*2%*	*1%*	3.40	9.82	6.45	*189%*	*-34%*	*90%*
Australia	1.11	0.99	0.94	*-11%*	*-5%*	0.95	2.40	1.48	*152%*	*-38%*	*55%*
Bangladesh	69.3	71.7	73.8	*3%*	*3%*	59.8	174.6	116.5	*192%*	*-33%*	*95%*
Brazil	1.76	1.66	1.58	*-6%*	*-5%*	1.52	4.03	2.49	*166%*	*-38%*	*64%*
CFA Zone	503	470	447	*-7%*	*-5%*	434	1,144	706	*164%*	*-38%*	*63%*
China	6.78	6.56	6.48	*-3%*	*-1%*	5.8	16.0	10.2	*173%*	*-36%*	*75%*
Colombia	1,839	1,892	1,768	*3%*	*-7%*	1,587	4,610	2,791	*190%*	*-39%*	*76%*
Egypt	5.71	5.91	5.94	*4%*	*1%*	4.9	14.4	9.4	*192%*	*-35%*	*90%*
Euro Zone	0.77	0.71	0.68	*-7%*	*-4%*	0.66	1.74	1.08	*163%*	*-38%*	*63%*
India	46.7	45.1	45.4	*-3%*	*1%*	40	110	72	*173%*	*-35%*	*78%*
Indonesia	8,957	8,790	8,503	*-2%*	*-3%*	7,730	21,417	13,427	*177%*	*-37%*	*74%*
Japan	86.5	82.2	79.9	*-5%*	*-3%*	75	200	126	*168%*	*-37%*	*69%*
Kazakhstan	147	146	145	*-1%*	*0%*	127	355	230	*179%*	*-35%*	*81%*
Mexico	12.65	12.02	11.79	*-5%*	*-2%*	11	29	19	*168%*	*-36%*	*71%*
Nigeria	150	154	155	*3%*	*1%*	129	376	245	*191%*	*-35%*	*90%*
Pakistan	85.5	85.4	86.0	*0%*	*1%*	74	208	136	*182%*	*-35%*	*84%*
Paraguay	4,742	4,460	4,005	*-6%*	*-10%*	4,092	10,867	6,324	*166%*	*-42%*	*55%*
Peru	2.81	2.77	2.79	*-2%*	*1%*	2.43	6.75	4.40	*178%*	*-35%*	*81%*
Russia	30.2	28.2	27.7	*-7%*	*-2%*	26	69	44	*164%*	*-36%*	*68%*
South Korea	1,184	1,119	1,081	*-5%*	*-3%*	1,022	2,728	1,707	*167%*	*-37%*	*67%*
Syria	46.4	46.6	47.6	*0%*	*2%*	40	113	75	*183%*	*-34%*	*87%*
Taiwan	32.0	29.4	28.7	*-8%*	*-3%*	27.6	71.70	45.3	*160%*	*-37%*	*64%*
Tanzania	1,514	1,519	1,568	*0%*	*3%*	1,307	3,701	2,475	*183%*	*-33%*	*89%*
Thailand	32.2	30.4	30.3	*-6%*	*0%*	28	74	48	*167%*	*-35%*	*72%*
Turkey	1.506	1.599	1.581	*6%*	*-1%*	1.300	3.90	2.496	*200%*	*-36%*	*92%*
Turkmenistan	2.85	2.85	2.85	*0%*	*0%*	2.46	6.94	4.50	*182%*	*-35%*	*83%*
Uzbekistan	1,606	1,667	1,707	*4%*	*2%*	1,386	4,062	2,695	*193%*	*-34%*	*94%*
Vietnam	18,978	20,865	20,600	*10%*	*-1%*	16,378	50,838	32,527	*210%*	*-36%*	*99%*
Zambia	4,851	4,720	4,780	*-3%*	*1%*	4,187	11,500	7,548	*175%*	*-34%*	*80%*

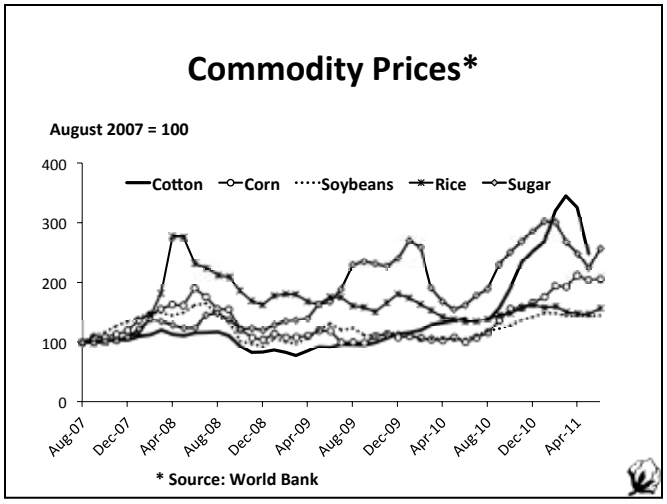
Source of exchange rates: http://www.oanda.com/convert/fxhistory

Cotton Prices Increased Faster Than Prices of Competing Crops

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

Prices of maize and wheat declined in 2009/10, but they resumed strong growth in 2010/11. Soybean prices had declined only slightly in 2009/10 and also grew considerably this season. Sugar prices continued to increase in 2009/10 and 2010/11. However, rice prices declined in both 2009/10 and 2010/11.[2]

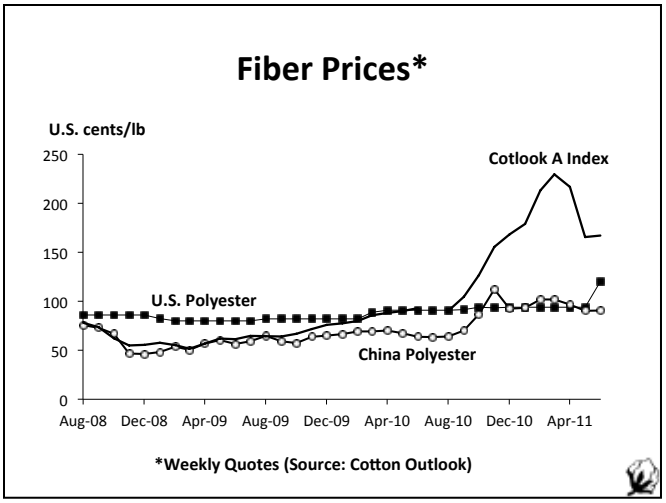
The growth in cotton prices between August 2010 and March 2011 was so large that it exceeded growth in prices for most competing commodities. As a result, the price ratios of cotton to maize, wheat, soybeans, rice and sugar, calculated at planting time in the Northern Hemisphere (which accounts for most of world cotton production), rose dramatically in 2011, encouraging an expansion in cotton plantings in 2011/12. However, the rapid descent in cotton prices between April and June 2011, combined with continued increases in prices of competing commodities, has significantly reduced the price competitiveness of cotton for farmers. If this trend continues, it might affect planting decisions in the Southern Hemisphere in the second part of 2011.



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

Cotton Losing its 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 36% in 2009, 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 declined every year. Polyester prices increased during 2010/11, but much less than cotton prices. The U.S polyester quote published by Cotlook increased from 91 cents per pound in August 2010 to 120 cents per pound in June 2011 (+32%), and remained at that level through July 2011. The China polyester quote increased from 64 cents per pound in August 2010 to over $1.30 per pound in November 2010 (+109%), but declined in December to the low 80s. It rose again to over $1.00 per pound in February and March 2011, but was down to 87 cents per pound in mid-July 2011. Given the much larger increase in cotton prices over the season, the price competitiveness of cotton compared to polyester decreased significantly in both the United States and China. It also decreased in Pakistan and Taiwan. As a result of the loss in competitiveness of cotton compared to polyester at the spinning level, the share of cotton in textile fiber end-use continued to decline to 33% in 2010 and is expected to reach 34% in 2011.

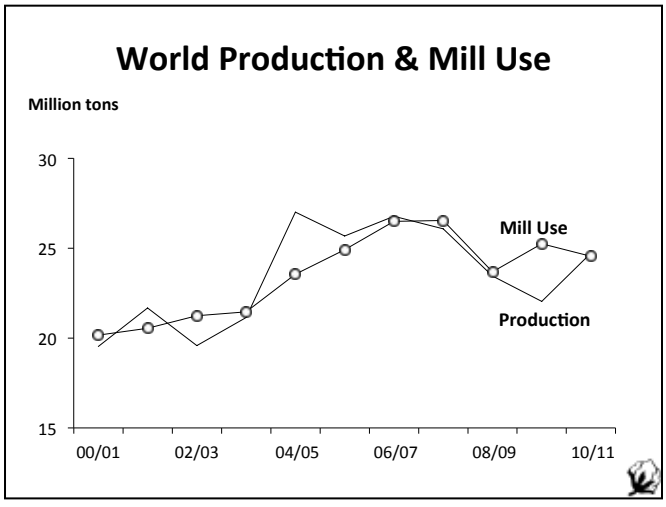


REVIEW OF 2010/11

By Armelle Gruère, ICAC

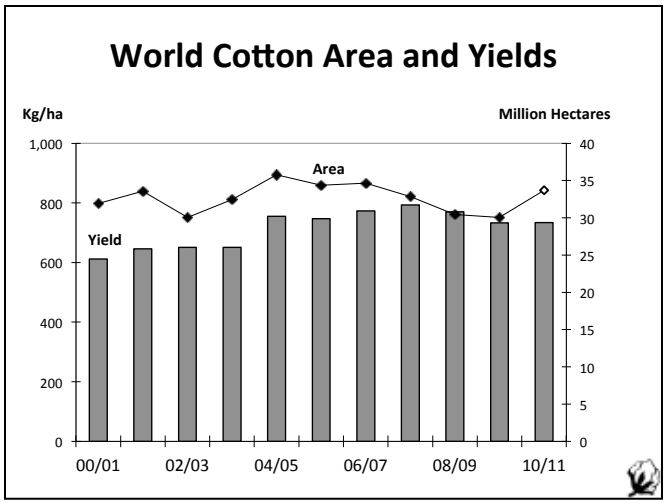
Summary

2010/11 started with the lowest level of global carryover stocks in 15 years, 8.5 million tons, following a season of rebounding cotton mill use and diminishing production. After three years of decline, world cotton production rebounded by 12% to 24.7 million tons in 2010/11. This increase was driven by an expansion in cotton area in response to the higher prices received by farmers in 2009/10. The average yield remained stable at 734 kg/ha, below the peak of 793 kg/ha reached in 2007/08. Demand for cotton by spinners was very strong in the first few months of the season, as spinners were looking to rebuild their depleted stocks and to satisfy rebounding retail textile sales. However, as cotton prices rose to record highs while demand for cotton yarn weakened, spinners had to reduce their activity in the second half of the season. Overall, global cotton consumption decreased by 3% to 24.5 million tons in 2010/11. As a result of the balance between production and consumption, world stocks increased only slightly to 8.7 million tons. The global stocks-to-use ratio remained very tight, at 36%, vs. a ten-year average of 49% (1999/00 to 2008/09). High prices and low stocks, as well as trade restrictions, kept world cotton trade stable, at 7.7 million tons. The season-average Cotlook A Index more than doubled from $0.78/lb in 2009/10 to $1.64/lb in 2010/11. However, the A Index declined significantly after reaching a record in March 2011, and was not published after June 9, 2011, or two months before the official end of the season.



Introduction

World cotton production fell for three consecutive seasons to a six-year low of 22.0 million tons in 2009/10. The continuous decline in production was driven by increasing price competitiveness of alternative crops, in particular grains and oilseeds, and increased agricultural production costs. In 2009/10, the situation changed: international cotton prices jumped to levels not seen in over a decade due to a



considerable tightening of stocks. At the same time, prices of competing crops declined, triggering renewed interest in cotton cultivation. Finally, fertilizer prices at planting time in 2010 were significantly lower than in the previous season. As a result, world cotton area rebounded by 12% to 33.7 million hectares in 2010/11.

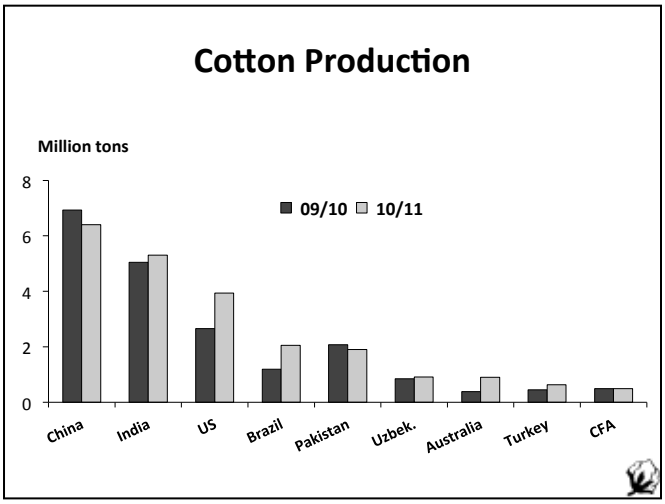
The average yield was stable at 734 kg/ha in 2010/11. Weather was overall favorable to cotton production in North America, South America, **Australia** and Central Asia, but was more erratic in East and South Asia. Severe floods in **Pakistan** in August 2010 destroyed part of the crop and lowered yields. In addition, there were reports of pest infestations in some producing countries. Cotton yields declined in three of the five largest producing countries, China, **India** and **Pakistan**, while they increased in the **United States** and **Brazil**.

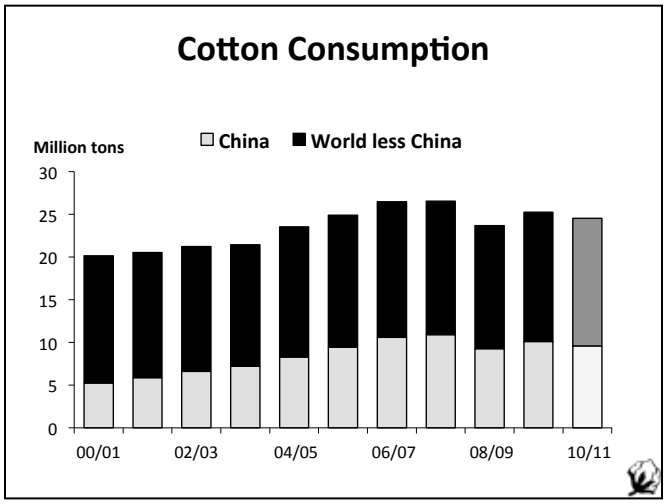
The global production rebound in 2010/11 was driven by the **United States**, **Brazil** and **Australia**. Production in the **United States** rebounded by half to 3.9 million tons. Production in **Brazil** and **Australia** jumped to records of 2.1 million tons and 0.9 million tons, respectively. **Brazil** was the fourth largest cotton producer in 2010/11 for the first time. **India**'s production also rose to a record of 5.3 million tons. Larger crops were also estimated in **Uzbekistan**, **Turkey**, Francophone Africa and many other countries. However, production decreased in China and **Pakistan**.

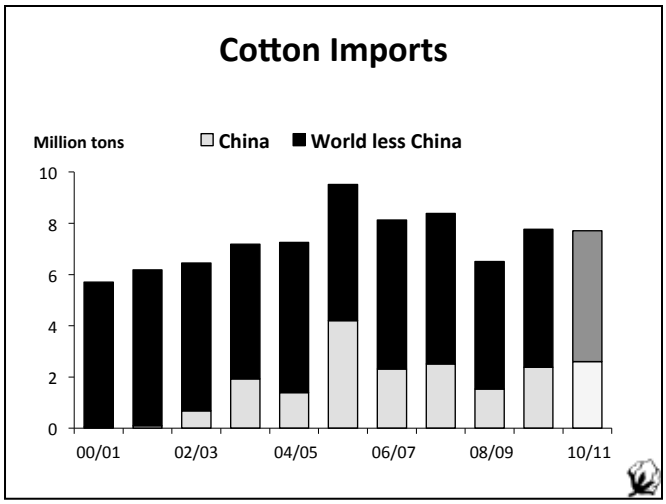
Record prices for cotton lead to a sharp decline in the level of government support to the cotton industry. The ICAC Secretariat estimates that subsidies to the cotton industry, including direct support to production, border protection, crop insurance subsidies, minimum support price mechanisms and export subsidies, were $1.3 billion in 2010/11, down from $3.2 billion in 2009/10 and $5.5 billion in 2009/10. This was the lowest support level in at least a decade. The share of world cotton production receiving direct government assistance, including direct payments and border protection, was estimated at 53% in 2010/11.

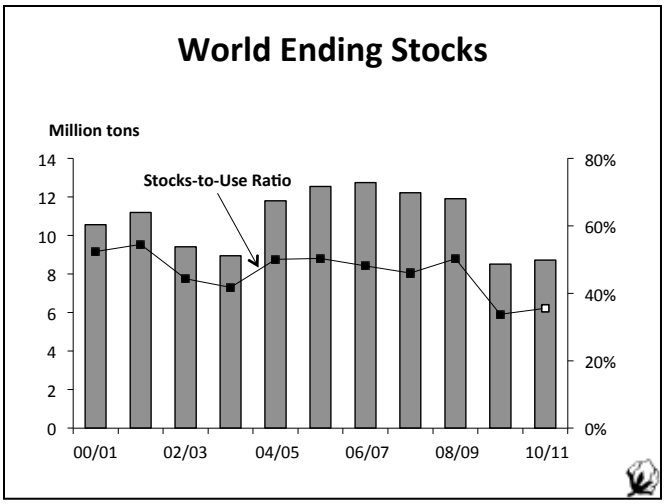
This season started with firm demand from spinning mills, which were looking to rebuild their stocks depleted in 2009/10, but ended with very weak demand. After a strong rebound in 2009/10, following a sharp drop caused by the global economic and financial crisis, world cotton mill use was estimated down by 3% to 24.5 million tons in 2010/11. Demand for cotton remained firm in the first half of this season, fueled by rebounding consumer sales and very low carryover stocks at spinning mills. However, as cotton prices continued to reach record levels every day, the resulting increase in yarn production costs combined with difficulties to finance cotton purchases, as well slower demand for cotton yarn, resulted in falling demand for cotton lint in the second half of the season. Many spinning mills reduced their activity. Others increased the share of synthetic fibers into their blends. Cotton mill use was estimated down in China, **Pakistan**, **Turkey**, Bangladesh and many other smaller consuming countries. However, cotton mill use increased in **India** and the **United States**, boosted by their large crops (and for **India**, a cap on cotton exports).

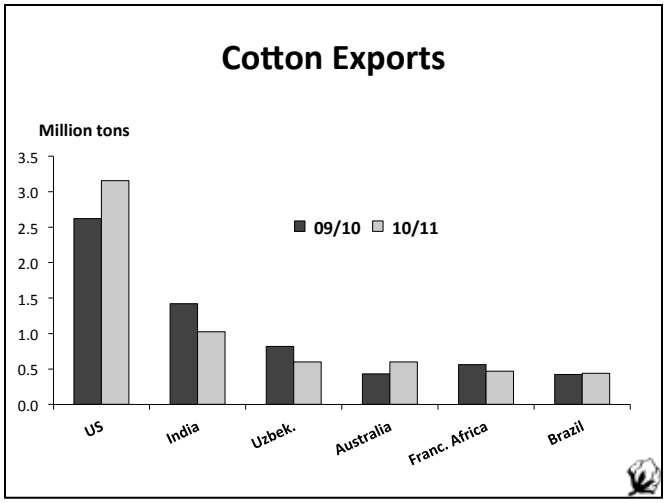
Cotton trade, which had recovered strongly in 2009/10, decreased slightly in 2010/11 to 7.7 million tons. The strong demand for cotton and the panic over tight supplies which











marked the first half of the season translated into large forward purchases by spinning mills. Shipments in the first half of 2010/11 were higher than in the previous season. However, as demand weakened significantly in the second half of the season, trade fell as well. Numerous cancellations on prior contracts took place. In addition, the number of defaults on contracts for trade in cotton increased significantly in 2010/11. Chinese imports increased by 10% to 2.6 million tons in 2010/11, accounting for a third of global imports. However, imports by Bangladesh, **Turkey**, **India** and Thailand were down. U.S. exports were up by 20% to 3.2 million tons, accounting for 41% of global exports. However, **India**'s exports dropped by 28% to 1 million tons and the share of **India** in world cotton exports fell from 18% to 13%.

Global cotton production exceeded consumption by 200,000 tons in 2010/11. As a result, cotton stocks increased slightly to 8.7 million tons. However, this was still the second smallest level of stocks in 16 years. This slight increase hides the fact that stocks continued to decline in the first few months of 2010/11, pushing cotton prices to record levels. Then, when demand for cotton weakened in the second half of the season and cotton from the new crop was available in larger quantities, stocks of cotton increased again.

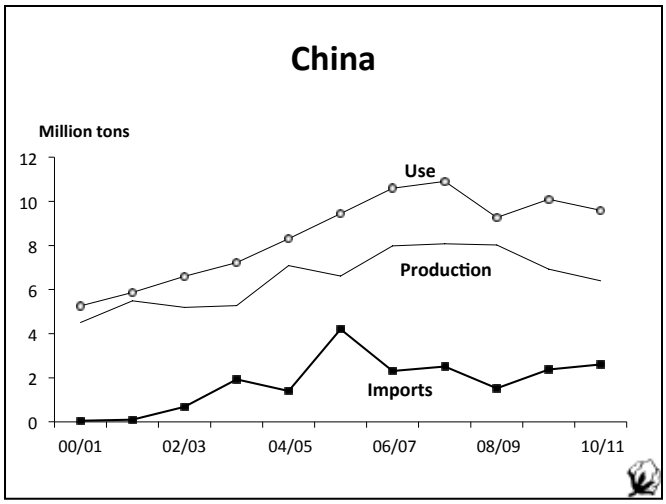
The global stocks-to-use ratio fell from 50% in 2008/09 to 34% in 2009/10, the lowest in two decades. In 2010/11, it increased slightly to 36%. Outside China, the stocks-to-mill use ratio fell from 58% in 2008/09 to 38% in 2009/10 and recovered partially to 44% in 2010/11.

The season-average Cotlook A Index more than doubled to a record of $1.64 per pound in 2010/11. As a result of this jump in international cotton prices, the value of global cotton production more than doubled to U.S. $ 90 billion in 2010/11.

China: Declining Production, Consumption and Stocks

Despite a considerable increase in cotton prices during 2009/10, the decline in cotton yields experienced that season, the shortage of labor in some areas, an increase in minimum procurement prices for grains and unfavorable weather at planting time are among the factors that prevented a rebound in cotton area in China in 2010/11. Plantings were estimated down by 2% in 2010/11, to 5.2 million hectares, the smallest in eight years. Planted area increased in Xinjiang while it declined in the rest of the country. The national yield was down by 6% to 1,226 kg/ha because of cooler temperatures than average and rainy weather, which delayed planting and affected plant development. As a result, production decreased by 8% to 6.4 million tons in 2010/11. This was the third consecutive season of decline in production in China. Farmers held seedcotton on their farms for longer than usual, in the hope that prices would increase. The unfavorable weather also affected lint quality.

After a quick and strong rebound in 2009/10, Chinese cotton mill use declined by 5% in 2010/11 to an estimated 9.6 million tons. The significant increase in cotton prices, combined with increasing labor shortages, rising energy costs, a strengthening Yuan, credit tightness and accumulating cotton yarn stocks in the second half of the season severely impacted profit margins at spinning mills. Many small or medium-sized mills were



forced to stop their activity, temporarily or completely. China's cotton mill use reached a record estimated at 10.9 million tons in 2007/08 and has since trended lower.

Between August and October 2010, 1.0 million tons of cotton from the national reserve was sold to protect spinning mills from sharp price increases. However, domestic cotton prices, which had already been rising since November 2008, increased very sharply between August and November 2010. The CC Index rose from 18,229 yuan/ton (U.S. $ 1.22/lb) on August 2, 2010, to a record of 31,302 yuan/ton (U.S. $ 2.14/lb) on November 11, 2010. The national reserve was estimated at a very low level after these auctions.

Since its admission into the WTO, China has opened an annual tariff-rate import quota (TRQ) and, from time to time and according to its needs, additional import quotas. During 2010/11, the annual 894,000 ton TRQ import quota, associated with a 1% duty, was opened in January 2011. An additional 1.7 million-ton quota was released at the same time and was associated with a sliding-scale duty. Also, in June 2010, an 868,000 ton-quota associated with a sliding-scale duty was released. China imported an estimated 2.6 million tons in 2010/11, 10% more than in the previous season. While imports in the first half of the season were higher than in the previous season, they were down in the second half, reflecting the change of direction in cotton mill use.

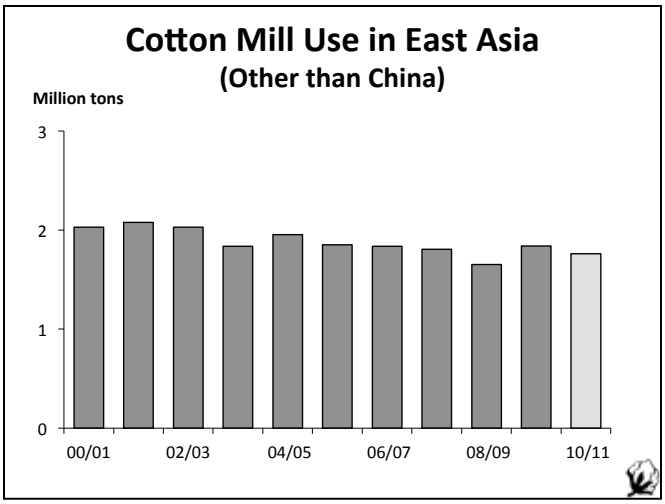
Chinese cotton stocks were estimated at 2.2 million tons at the end of July 2011, down by 22% from the previous year. The ICAC Secretariat estimates that the Chinese government reserves decreased from around 1.3 million tons to less than 300,000 tons during 2010/11, while private stocks (including stocks in consignment warehouses, CNCE/CNZE stocks, trade stocks, and spinning mills) increased from around 1.5 million tons to around 1.9 million tons.

Other East Asia: Slight Decline in Consumption

East Asia (excluding China) accounts for 7% of world cotton mill use. Cotton consumption in the region has slowly declined 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, down by 3% to 1.8 million tons. 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 temporarily. East Asian countries produce very little cotton and therefore import most of their requirements. Cotton imports were down by 6% to 1.8 million tons in 2010/11. 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 implementation of the second phase of the ASEAN[3] China Free Trade Agreement (ACFTA) in early 2010 resulted in the elimination of duties for textile products imported from China. Indonesia faces higher textile production costs than many other Asian countries, due to old equipment and high electricity costs. After a brief recovery in 2009/10, cotton consumption declined by 10% to 430,000 tons in 2010/11. Cotton imports were projected at 420,000 tons in 2010/11, down by 10% from the previous season. Indonesia remains the fourth largest importer of cotton after China, **Turkey** and Bangladesh. Cotton production is minimal in Indonesia, accounting for about 1% of domestic consumption.

Thailand's cotton mill use has gradually 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, cotton consumption declined again in 2010/11, to 375,000 tons (-5%). Spinners reduced their activity due to high cotton prices, and



3) ASEAN: Association of Southeast Asian Nations.

increased their use of man-made fibers. Imports were down by 5% to 375,000 tons. Thailand's spinning industry continues to face increased competition from imported textiles, in particular from China.

After over a decade of strong growth (including during the 2008/09 global economic crisis), Vietnam's cotton consumption only increased slightly to 360,000 tons in 2010/11 (+2%). Vietnam's accession to the WTO in 2006 encouraged investments in the domestic textile industry. The expansion in cotton mill use is driven mainly by garment and textile exports. After firm demand in the first half of 2010/11, the second half of the season saw a decline in spinning activity due to high cotton prices, lower demand for yarn, increasing energy costs, high interest rates and a high inflation rate. Cotton production in Vietnam remains small; it was estimated at 4,000 tons in 2010/11. 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 in the last few seasons, even increasing slightly for the past two. Cotton consumption was estimated at 230,000 tons in 2010/11, up by 5% 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 2010/11 were estimated at 230,000 tons, up from the previous season.

After a rebound in 2009/10, cotton mill use in **Taiwan** declined by 9% to 200,000 tons in 2010/11. **Taiwan** does not produce any cotton and therefore imports all that it spins. Imports of cotton fell by 12% to 195,000 tons. Since 2004, the number of spindles has shrunk from 4.5 million to less than 2 million. During the past decade, **Taiwan** gradually upgraded its spinning equipment and increased operating efficiency, while relocating older spindles to mills in China and 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 use of cotton is declining while imports of cotton and man-made fiber yarns are increasing. The textile industry of **Taiwan** is heavily export-oriented. **Taiwan** and China signed the Economic Cooperation Framework Agreement (ECFA) in June 2010. This agreement is expected to increase trade in textile products between the two countries.

Cotton mill use in Japan continued to decline by 4% to 81,000 tons in 2010/11. Imports of cotton are projected at 80,000 tons in 2010/11, up by 21% from the previous season as mills were looking to rebuild their stocks depleted in 2009. The gradual long-term reduction in manufacturing of cotton products in Japan is due mainly to increased imports of finished products, especially from China, but has recently been exacerbated by the sluggishness of domestic end-use textile consumption. In addition, Japan's devastating earthquake and tsunami in March 2011 caused further shrinking of domestic demand for textile goods. 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 2010.

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. 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 50,000 tons in 2010/11, down by 41% from the previous season. However, most of these imports were re-exported, mainly to China.

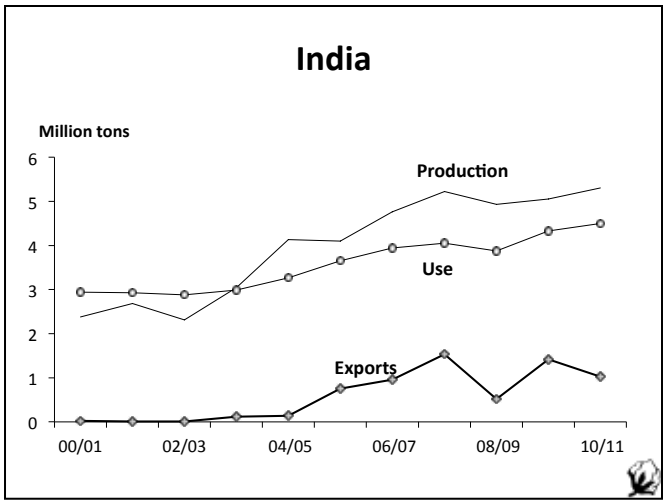
Cotton mill use in the Philippines has declined almost every year since a peak of 77,000 tons in 1996/97 to an estimated 14,000 tons in 2007/08, but has since remained relatively stable. The Philippines is highly dependent on the domestic market and suffers from competition from textile imports. Local cotton production has almost completely disappeared.

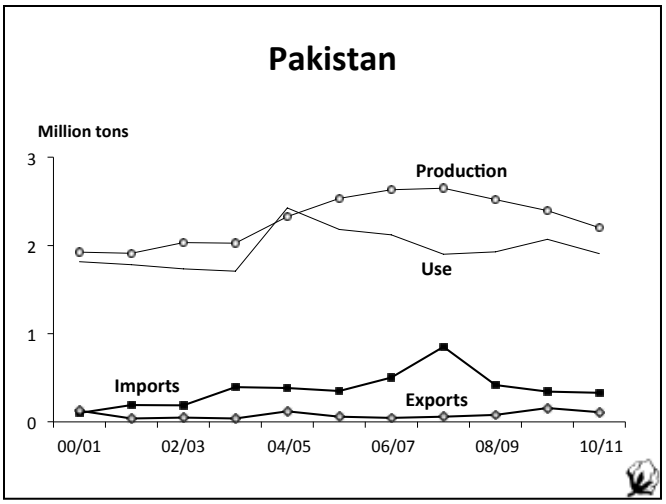
South Asia: Fall in Exports

South Asia is the largest cotton producing region (since 2009/10) and is the second largest consuming region (after China). In 2010/11, it accounted for 30% of global cotton production and 31% of world cotton mill use. Most production and consumption take place in **India** and **Pakistan**, but Bangladesh also spins important amounts of cotton. Both production and consumption were stable in 2010/11, at 7.4 million tons and 7.7 million tons, respectively. This stability at the regional level hides diverging trends at the country level: production and consumption reached record levels in **India**, while they both were down in **Pakistan**. Exports from South Asian countries (mostly **India**) dropped from 1.6 million tons in 2009/10 to 1.2 million tons in 2010/11. In 2010/11, imports by South Asian countries equaled exports.

India: Record Production and Consumption

India is the second largest cotton producing country, accounting for 21% of global production in 2010/11. It accounts for the largest share of global cotton area (33% in 2010/11). Cotton production in **India** increased by 5% to a record of 5.3 million tons. The high seedcotton prices received by farmers in the previous season encouraged them to expand cotton area by 8% to 11.2 million hectares. Most of this increase took place in the central region, in particular in Maharashtra, the largest producing state. However, cotton area was down in the northern region. The average cotton yield declined slightly to 475 kg/ha, due to a heavier and longer than average monsoon season. This is the third consecutive season of decline in the average cotton yield in **India**, after a five-year period of significant increase and a record of 554 kg/ha in 2007/08. Biotech cotton area continued to expand to an estimated 88% of total cotton area in 2010/11.





India is the second largest industrial consumer of cotton behind China. **India** was one of the few large consuming countries that experienced an increase in cotton spinning during 2010/11, despite the significant increase in world cotton prices. India's cotton mill use increased by 4% to a record of 4.5 million tons in 2010/11, accounting for 18% of global use. Growth in cotton mill use was strong in the first half of the season, fueled by the larger domestic cotton crop, and facilitated by the government monitoring of cotton exports during the season. However, in the last few months of the season, low demand, accumulating stocks of cotton yarn and power cuts severely affected the spinning sector. Some units had to stop spinning temporarily.

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. An export cap of 935,000 tons was initially decided for the period from October 2010 to September 2011 (the Indian cotton season). This cap was quickly filled and two-thirds of this volume had been shipped by December 15, 2010, the deadline fixed by the government. The remaining amount was reallocated amongst exporters in early 2011. In June 2011, the Indian government allowed an additional export quota of 170,000 tons. A total of 1.0 million tons of cotton were projected to ship from **India** in 2010/11, down by 28% from the previous season. **India** was the second largest exporter in 2010/11. **India** imported less than 100,000 tons of cotton in 2010/11, mostly long staple and extra-long staple.

Pakistan: Declining Production and Consumption

Local seedcotton prices in **Pakistan** increased significantly during 2009/10, encouraging an expansion in planted cotton area in 2010/11 to 3.1 million hectares. However, severe flooding in August 2010 resulted in significant losses in both harvested area and yield per harvested hectare. The average yield declined by 5% to 636 kg/ha. As a result, cotton production decreased by 8% to 1.9 million tons. Production in Punjab was down by 7% to 1.3 million tons, whereas production in Sindh was down by 10% to 620,000 tons. Seedcotton prices paid to producers increased significantly in 2010/11, following the trend in international cotton prices and supported by tight local stocks. Some farmers held some quantities of seedcotton on their farms until late in the season, in the hope of obtaining even higher prices.

Pakistan is the third largest industrial consumer of cotton after China and **India**, accounting for 9% of global cotton mill use in 2010/11. **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. Cotton mill use in **Pakistan** continued to decline by 8% in 2010/11, to an estimated 2.2 million tons. The significant rise in cotton prices, not matched by yarn prices, difficulties to procure imported cotton due to the limit on Indian cotton exports, and energy shortages affected cotton spinning mills in **Pakistan** during 2010/11. Some mills were forced to slow their production, stop it temporarily, or change the blend of fibers used in yarn production. Cotton yarn stocks accumulated in the second half of the season, exacerbating spinning mills' financial difficulties.

Cotton imports by **Pakistan** reached a record of 850,000 tons in 2007/08, when consumption reached its peak. Imports have since retreated. They were estimated at 330,000 tons in 2010/11, down by 4% from the previous season. **Pakistan** was the seventh largest importer of cotton in 2010/11. Cotton exports from **Pakistan** have been rising over the last few years, but they were estimated down by 29% to 110,000 tons in 2010/11. **Pakistan** remains a net importer of cotton.

Bangladesh: Slightly Lower Consumption

Bangladesh is the seventh largest cotton consumer. Cotton mill use declined slightly in 2010/11 for the second consecutive

season, to 770,000 tons. Shortages of cotton, high cotton prices and resulting financing difficulties, higher labor costs, and competition from lower-priced cotton yarn imports from **India** and China have affected the cotton spinning industry. Bangladesh was the second largest importer of cotton in 2010/11, on par with **Turkey**, with an estimated 750,000 tons. Cotton production in Bangladesh remains small, but has recently increased: it was estimated at 14,000 tons in 2010/11, up from 12,000 tons the previous season.

Central Asia: Production Increase

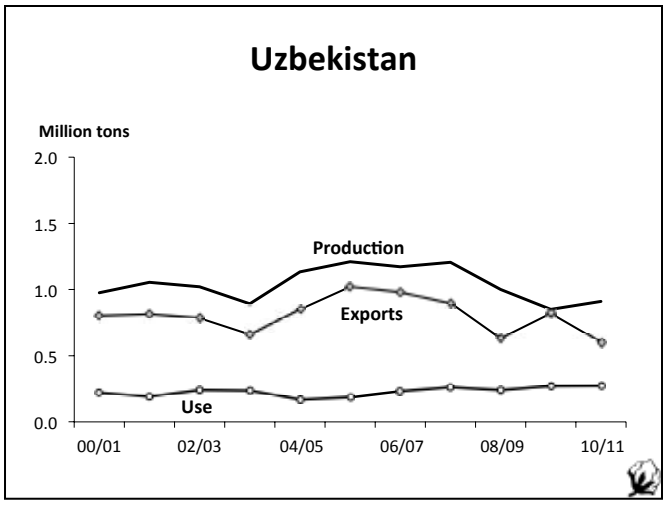
After two consecutive seasons of decline, cotton production in Central Asia rebounded in 2010/11 by 13% to 1.4 million tons. Cotton area remained almost stable, at 2.3 million hectares. However, the average yield recovered to 625 kg/ha, up 11% from the previous season, thanks to favorable weather in **Uzbekistan** and Turkmenistan, the two largest producing countries in the region. Cotton mill use rose by 7% to 420,000 tons. However, cotton exports from Central Asian countries fell by 21% to 1.0 million tons, due to reduced exportable supplies.

Cotton output in **Uzbekistan** increased by 7% to 910,000 tons in 2010/11. Cotton area remained stable at 1.3 million hectares, but the average yield increased by 6% to 684 kg/ha, thanks to favorable weather. Extra-fine cotton production remained stable at 2,000 tons. Cotton mill use was estimated slightly up from 2009/10, between 270,000 tons and 275,000 tons. **Uzbekistan**'s exports were estimated down by 27% to 600,000 tons.

Turkmenistan's cotton production jumped by 44% to 360,000 tons in 2010/11, primarily due to a higher yield, thanks to favorable weather during the plant growth period and the harvest. Extra-fine production was estimated at 20,000 tons, slightly down from the previous season. Exports were estimated stable, between 235,000 tons and 238,000 tons. Cotton mill use in Turkmenistan was estimated up to 115,000 tons in 2010/11 (+28%).

Cotton production in Tajikistan rebounded to 90,000 tons in 2010/11, after several years of decline. Area continued to decrease to 160,000 hectares due to adverse weather at planting time and lack of inputs. However, the average yield rebounded to 563 kg/ha thanks to favorable weather during the growth period. As a result, total production was up by 10% to 90,000 tons. Production of extra-fine cotton remained stable at around 1,000 tons. Mill consumption of cotton was estimated down to 7,000 tons, while exports were estimated stable at 94,000 tons.

Kazakhstan's cotton output declined in 2010/11 for the sixth consecutive season, to 60,000 tons, the smallest in over a decade. Cotton area decreased slightly to 134,000 hectares, due to farmers' difficulties to finance the new crop and unfavorable weather at planting time. The average yield was less than 500 kg/ha for the first time since the late 1990s, as a result of pest infestations and difficulties to find labor



at harvest time. Cotton consumption in **Kazakhstan** was estimated slightly up at 15,000 tons and exports down by 27% to 54,000 tons.

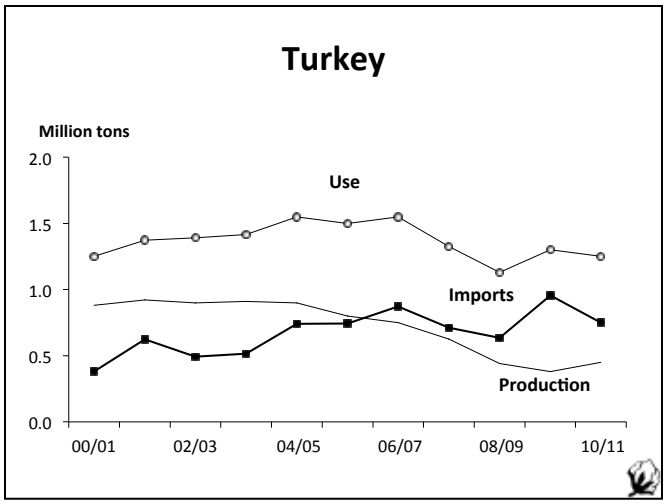
Cotton production in Kyrgyzstan decreased for five consecutive seasons to 14,000 tons in 2009/10, due mainly to disinterest by farmers. Many of them switched to the cultivation of alternative crops (mainly vegetables and corn), for which prices were more attractive than those for cotton. Higher cotton prices in 2009/10 encouraged more cotton plantings in 2010/11, and production increased slightly to 15,000 tons. Exports were estimated down by 31% to 17,000 tons in 2010/11.

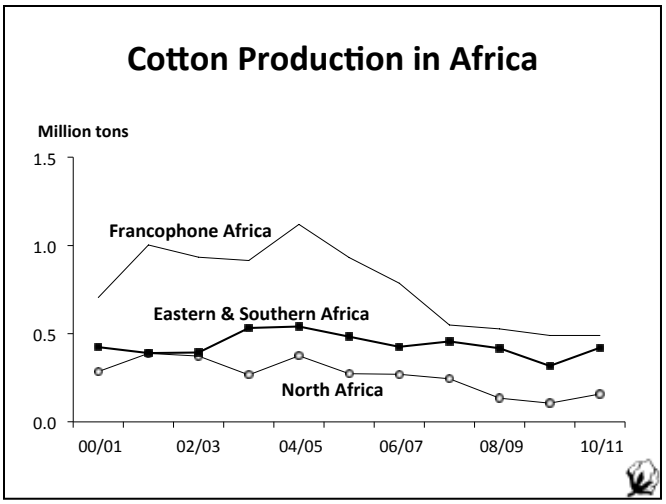
After declining significantly for four seasons, cotton production in Azerbaijan increased slightly in 2010/11, to 13,000 tons. This remained much lower than in seasons preceding 2009/10. Planted area rose by 10% to 32,000 hectares despite unfavorable weather at planting time. Late planting and pest pressure during the growth season prevented the average yield from recovering. The average yield was estimated at 406 kg/ha, only 7% higher than in the previous season and still significantly below the five-year average. The harvest was delayed by rainy weather and lack of labor.

Turkey: Production Rebound

An increase in seedcotton prices in 2009/10, combined with a higher government subsidy and a decline in competing crop prices, encouraged a strong rebound in cotton plantings in **Turkey** in 2010. After three consecutive years of decline, cotton area jumped by 36% to 380,000 hectares. Weather was favorable to cotton crop development, but bollworm infestation affected yields in the Aegean region. Countrywide, the average yield declined by 13% to 1,184 kg/ha. As a result, production was estimated at 450,000 tons, up by 18% from the previous season. It was the first time in seven years that cotton production increased in **Turkey**.

After a strong rebound in 2009/10, cotton mill use in **Turkey** remained strong in the first half of 2010/11 but retreated in the second half due to high cotton prices and weak demand





for yarn. Cotton mill use was estimated down by 4% to 1.25 million tons in 2010/11. **Turkey**'s imports were down by 21% to 750,000 tons, as a result of increasing production and declining mill use. **Turkey** was the second largest importer of cotton in 2010/11, on par with Bangladesh.

Middle East: Further Decline in Production

Cotton production in the Middle East continued to decline for the third consecutive season, to 242,000 tons.

Cotton production in **Syria** was estimated at 161,000 tons in 2010/11, down by 26% from the previous season due to lower area and yield. Cotton was not considered an attractive crop by farmers, given its high cost of production. Unfavorable weather and bollworm infestation affected the cotton yield. Domestic mill use was estimated stable at 185,000 tons. Only a very minor quantity of cotton was exported in 2010/11.

Cotton production in Iran was estimated at 60,000 tons in 2010/11, down by 15% from the previous season due to a decline in planted area. This was the smallest production in three decades. In recent years, farmers have gradually lost their interest in cotton cultivation due to its cost and unattractive profit. Cotton mill use was estimated stable at 140,000 tons, while imports were expected to rise to 80,000 tons to make up for the decline in production.

Production in **Israel** was almost stable at 7,200 tons in 2010/11. A strong domestic currency against the U.S. dollar and water scarcity discouraged Israeli producers from increasing cotton plantings, despite strong international prices at planting time. Almost all the area (4,000 hectares) was planted to extra-fine cotton (Pima and Acalpi), similarly to the previous season. The average yield increased by 5% to 1,860 kg/ha. The entire crop was committed to final users by the middle of the season.

Africa: Production Rebound

After reaching a record of 2.0 million tons in 2004/05, African cotton production declined continuously for the following five seasons. It was estimated at 915,000 tons in 2009/10, the smallest in almost five decades. However, African production rebounded by 17% to 1.1 million tons in 2010/11. This increase took place principally in North Africa and East and Southern Africa, whereas Francophone Africa's output was stable. African cotton exports were estimated slightly down to 890,000 tons.

Africa accounted for 10% of world cotton area in 2010/11 (3.4 million hectares). However, the estimated average yield of 313 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 4% of the global output in 2010/11. Total cotton mill use in Africa decreased by 9% to 380,000 tons, or 2% of world cotton mill use.

Northern Africa

Following a drop to 95,000 tons in 2009/10, the smallest crop in at least a century, cotton production in **Egypt** rebounded to 137,000 tons in 2010/11. The higher seedcotton prices received during 2009/10 encouraged an expansion in plantings to 157,000 hectares in 2010. Cotton area might have been higher if the supply of seeds available at planting time had been larger. Extra-long staple (ELS) cotton production doubled to 29,000 tons, while long staple (LS) cotton production increased by a third to 108,000 tons. Yields increased for both types of cotton. Exports increased to 100,000 tons, boosted by a larger production and firm demand for extra-fine cotton. **Egypt** is the largest African cotton consumer but its cotton mill use was estimated down in 2010/11 to an estimated 155,000 tons due to shortages of cotton, high cotton prices, and the revolution in early 2011. Imports of upland cotton were estimated up to 120,000 tons.

Cotton production in **Sudan** almost doubled to 21,000 tons in 2010/11. Production of Barakat (extra-fine) cotton almost tripled to 6,000 tons, while that of Acala (medium staple) cotton increased from 9,000 tons to 15,000 tons. In addition to the two traditional varieties, several thousand hectares were planted to a new, early-maturing Abdin variety. Most of the production increase was explained by an expansion

in plantings, to 45,000 hectares (+63%). The Sudan Cotton Company Limited (SCCL) contracted with farmers to plant cotton on most of this area. SCCL distributed inputs and supervised major farming operations during the growing season. Private farmers planted additional area. The average yield increased by 17% to 471 kg/ha, the highest in eight years, probably due to SCCL increased involvement in farming operations. However, some resources were diverted to other crops. Costs of production are rising because the Sudanese pound is depreciating and all inputs are imported. This season, however, the seed cotton prices paid to farmers were much higher than those achieved in 2009/10. **Sudan**'s exports were down by 59% to 15,000 tons in 2010/11, due to low carryover stocks. Cotton consumption was estimated at 2,000 tons in 2010/11.

Francophone Africa

Cotton production in Francophone Africa[4] remained stable in 2010/11, after five consecutive years of decline.[5] Production was estimated at 490,000 tons in 2010/11. Cotton area increased by 9% to 1.4 million hectares, as an increase in minimum seedcotton prices and continued government subsidies for inputs encouraged farmers to expand cotton plantings. However, weather was unfavorable in some countries, and the civil war in **Cote d'Ivoire** prevented a portion of its seedcotton from being picked. As a result, the average yield in the region decreased by 8% to 348 kg/ha. Cotton mill use in Francophone African countries remains small. It was estimated at 16,000 tons in 2010/11, accounting for 3% of local production. Exports were projected at 470,000 tons, down by 16% from 2009/10 due to low carryover stocks.

Cotton production in **Burkina Faso** decreased in 2010/11 for the second consecutive year to 142,000 tons, down by 7% from the previous season. Farmers received a bonus for their 2009/10 production, and the 2010/11 seedcotton minimum price announced to producers before planting was increased from the previous year. These two measures should have encouraged an expansion of cotton area in 2010/11. However, lack of rain at planting time prevented the expansion of cotton sowings, and total cotton area was estimated down by 11% to 374,000 hectares. About 80% of the total area was planted with Bt cotton in 2010/11, the third season of adoption of biotech cotton. The weather improved in the second part of the season and pest pressure was moderate. The average yield increased by 5% to 380 kg/ha. Cotton exports were projected down by 24% to 138,000 tons in 2010/11. **Burkina Faso** consumes around 4,000 tons of cotton every year.

Mali's cotton production increased for the second consecutive season, to 103,000 tons, up 4% from the previous season. The small increase in production was driven by an expansion in cotton area, to 286,000 hectares. The seedcotton price announced to producers prior to planting was increased from 170 FCFA/kg in 2009/10 to 185 FCFA/kg in 2010/11. The government continued to subsidize fertilizer used on cotton. The average yield decreased by 9% to 362 kg/ha. Exports decreased by 16% to 92,000 tons due to the low carry-over stocks from the previous season. The privatization of **Mali**'s national cotton company, CMDT (Compagnie Malienne pour le développement des textiles), is on-going.

Cotton production in **Cameroon** increased by 33% to 65,000 tons in 2010/11, driven by an expansion in cotton area. The seedcotton price increased from 185 FCFA/kg in in 2009/10 to 200 FCFA/kg in 2010/11, encouraging farmers to expand their plantings. However, around 25,000 tons of seedcotton (equivalent to 10,500 tons of lint) were smuggled into neighboring **Nigeria**. The cotton company SODECOTON continued to diversify farming in cotton regions by increasing area planted to soybeans. Cotton exports from **Cameroon** were estimated at around 60,000 tons in 2010/11 (including the seedcotton smuggled into **Nigeria**).

Benin's cotton production declined in 2010/11 for the third consecutive year, to 60,000 tons, the smallest crop since the early 1990s. The drop in production was driven by a reduction in plantings and yields. The minimum seedcotton price was maintained stable from the previous season, and fertilizer prices were maintained stable. However, unfavorable weather at planting time and heavy rains right before harvest decreased area and yields. Yields were also affected by the refusal by some farmers to use the recommended pesticide. As in **Cameroon**, some seedcotton was smuggled into neighboring countries. Cotton consumption in Benin is around 4,000 tons. Exports were projected at 64,000 tons in 2010/11.

After a strong rebound in 2009/10, cotton production in **Côte d'Ivoire** dropped by 27% to 59,000 tons in 2010/11. Cotton area expanded by 16% to 217,000 hectares, encouraged by an increase in the minimum seedcotton prices announced prior to planting. However, unfavorable weather affected yields and the civil war prevented a portion of the seedcotton from being picked. As a result, the average yield decreased to 273 kg/ha. Cotton exports from **Côte d'Ivoire** were estimated at 55,000 tons in 2010/11.

Cotton production in **Chad** rebounded to 21,000 tons in 2010/11, 50% higher than in the previous season. Cotton area rose to 137,000 hectares and the average yield increased to 160 kg/ha. Exports from **Chad** were estimated at 27,000 tons in 2010/11.

Production in **Togo** rebounded to 20,000 tons in 2010/11, driven by an increase in planted area and yield, encouraged by

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

5) The combination of lower seedcotton prices, a strengthening of the CFA franc and other general problems, including inclement weather, higher fertilizer prices, delayed and/or diminished input applications, and financial difficulties encountered by cotton companies, explain the continuous reduction in production in Francophone Africa from 2004/05 to 2009/10.

higher seedcotton prices. Production in Senegal was estimated up by 30% to 10,000 tons, driven by an expansion in plantings and an improvement in yields.

Anglophone West Africa

Cotton production in **Nigeria** was almost stable in 2010/11 at 45,000 tons. Cotton area rose by 28%, to 250,000 hectares, as farmers were encouraged by the higher seedcotton prices received in the previous season. However, the average yield was down to an estimated 180 kg/ha. Cotton area and production in **Nigeria** significantly declined in previous seasons, mainly as a result of diminished market prospects due to a gradual reduction in domestic cotton mill use. Mill use was estimated slightly down to 20,000 tons in 2010/11. 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. Exports were estimated between 45,000 and 50,000 tons in 2010/11. Imports were estimated at 12,000 tons, including cotton smuggled into **Nigeria** from neighboring countries.

Ghana's cotton production was estimated at 2,000 tons in 2010/11.

Eastern and Southern Africa

Cotton production in East and Southern African countries rebounded by 33% to 420,000 tons in 2010/11, after two years of decline. An expansion in plantings, driven by higher cotton prices, and improved yields both contributed to the increase. Production increased in most countries of the region, with the exception of **Kenya**. Cotton mill use was estimated around 155,000 tons in 2010/11, slightly down from the previous season. Cotton exports from East and Southern African countries, including intra-regional shipments, were projected at 300,000 tons in 2010/11, up by 11% from the previous season. Imports were also projected up by 28% to 61,000 tons.

Zimbabwe's cotton production continued to increase by 5% to 110,000 tons, due to an expansion in cotton area. Cotton area rose by 15% to 390,000 hectares, but the average cotton yield decreased by 9% to 282 kg/ha as a mid-season drought affected some producing areas. **Zimbabwe**'s cotton mill use was estimated around 14,000 tons and exports at 100,000 tons.

Cotton production in **Tanzania** rebounded in 2010/11 by 50% to 90,000 tons. The gain in production was due to increases in both area and in yields. Cotton area expanded by 26% to 460,000 hectares, as farmers were encouraged by the higher prices paid in 2009/10. The cotton yield recovered partially to 196 kg/ha. The yield might have risen further if there had been no delay in initial rains in some major producing districts. **Tanzania** consumed around 29,000 tons of cotton and exported 40,000 tons in 2010/11.

Cotton production in **Zambia** is expected to rebound from a 14-year low of 29,000 tons in 2009/10 to 50,000 tons in 2010/11. High seedcotton prices in 2009/10 and delayed payments for maize (the main competing crop) encouraged farmers to expand cotton area to 262,000 hectares in 2010/11. Plantings were delayed due to the late arrival of rains, but the weather improved in the second half of the season. The average yield recovered to 191 kg/ha. Cotton exports, including shipments of the previous season's crop, were projected at 38,000 tons in 2010/11, about the same as in the previous season.

Cotton production in **Uganda** doubled to 27,000 tons in 2010/11, the largest crop in six years. The increase was driven mainly by a jump in the average yield to 335 kg/ha, a level only exceeded once in **Uganda**. The higher seedcotton prices paid to farmers during 2009/10 and high pre-planting prices encouraged them to take good care of their crop in 2010/11, in particular regarding pest control. In addition, during 2010/11 the Cotton Development Organization (CDO) deployed a more aggressive extension network for training farmers on crop husbandry. The high prices also encouraged an expansion in cotton area of 14% to 80,000 hectares in 2010/11. Almost all the Ugandan cotton crop was exported in 2010/11.

Malawi's cotton production rebounded from a two decade-low of 6,000 tons in 2009/10 to 22,000 tons in 2010/11. Due to the very small crop in the previous season, planting seed had to be imported from neighboring countries. Cotton area quadrupled to 80,000 hectares but the yield was slightly down to 278 kg/ha.

Mozambique's cotton output was projected at 26,000 tons in 2010/11, up by 70% from the previous season after four years of decline. Cotton area remained stable while the yield was projected up by two-thirds to 203 kg/ha, after a season which had registered particularly unfavorable weather. Cotton exports from **Mozambique** were projected at 19,000 tons in 2010/11.

After six consecutive years of decline, cotton area and production in **South Africa**[6] partially recovered in 2010/11. Higher cotton prices encouraged a rebound of cotton area to 17,000 hectares. The increase in area was driven by an increase in irrigated area. As a result, despite a decrease in irrigated and rainfed yields due to adverse weather, the increase in the share of irrigated area resulted in a 15% increase in the average yield to a record of 1,080 kg/ha. Total production more than doubled to 18,000 tons. This is the largest crop in six years. Before 2010/11, the decrease in international cotton prices in the mid-2000s combined with a strong local currency and competition from maize and sunflower had triggered a long-term decrease in cotton area and production. Cotton mill use in **South Africa** continued to decrease by 9% to 21,000 tons in 2010/11, still suffering from competition with lower-priced imported products.

6) Including Swaziland.

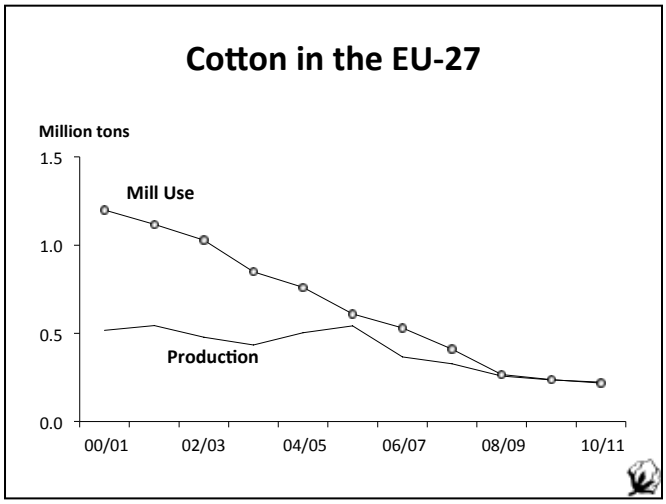
Kenya's production dropped by half to 6,000 tons in 2010/11, due to a fall in plantings to 22,000 hectares. There is no clear reason explaining this drop, except that farmers may have fed large quantities of cotton seeds to animals. Seedcotton prices received by farmers were expected to increase significantly in 2010/11. Cotton mill use in **Kenya** was estimated at 10,000 tons in 2010/11.

Europe: Further Decline in Production and Consumption

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 (production aid). However, the national base areas that can benefit from the production aid were reduced. In addition, to be eligible for the aid the 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. Production decreased by 6% in 2010/11, to 223,000 tons. This was the smallest crop since 1984/85.

After five years of decline, cotton area in **Greece** increased by 7% to 250,000 hectares in 2010/11, as a result of the higher returns received by farmers in the previous season and the high prices at planting time. However, the average yield dropped by 22% to 720 kg/ha due to bollworm attacks and heavy rains right before harvest. As a result, production continued to decline to 180,000 tons, the lowest since 1987/88. Exports were estimated at 155,000 tons, down by 30% from the previous season.

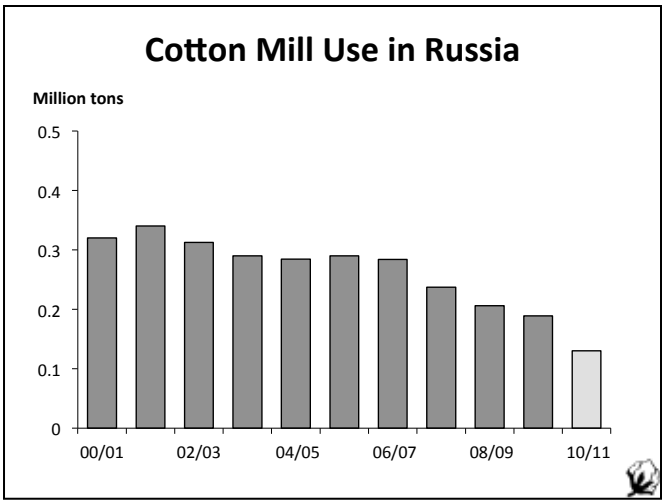


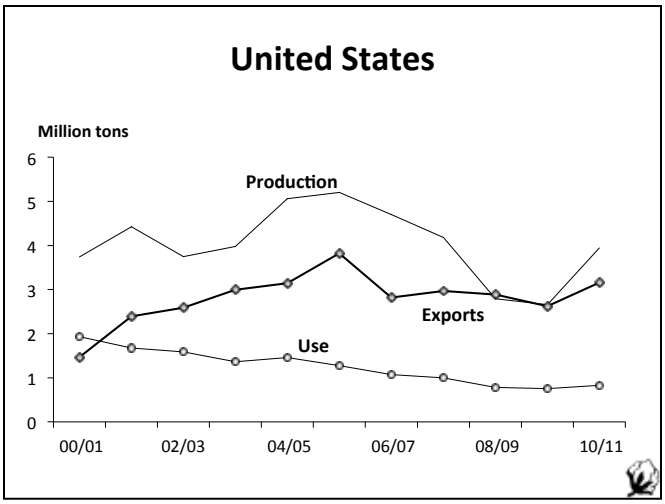
Cotton area in **Spain** was estimated at 64,000 hectares in 2010/11, up 10% from the previous season. The average yield almost doubled to 676 kg/ha, after reaching levels below 400 kg/ha for two years. The recovery in yields seems to be explained by several factors: the requirement of a minimum seedcotton yield to qualify for EU support payments, adequate irrigation supplies, favorable weather and limited pest pressure. As a result, production doubled to 43,000 tons in 2010/11. Exports from **Spain** rebounded to 39,000 tons.

Cotton consumption in the EU-27 declined almost continuously from a peak of 2.0 million tons in the mid-1980s to an estimated 220,000 tons in 2010/11. The decrease between 2009/10 and 2010/11 was estimated at 8%, smaller than in the previous year. While in the second half of 2010, demand for cotton yarn was strong, in the first half of 2011 extremely high cotton prices and a drop in demand for yarn affected spinning mills' activity. In addition, the European spinning industry continues to face strong competitive pressures from imports. Since January 2008, there have been no restrictions on Chinese textile imports by the EU-27. Four countries (**Italy, Germany**, **Greece** and Portugal) account for 70% of cotton mill use in the EU-27.

Italy is the largest cotton consumer in the EU-27, accounting for 24% of EU mill use. Italian cotton mill use declined slightly in 2010/11 to 52,000 tons, the smallest amount of cotton spun in the country since World War II. While domestic cotton mill use has shrunk over the last few years, an important part of the cotton yarn spinning activities have been relocated to other countries but still belong to Italian companies. Cotton mill use in **Germany** increased slightly to 37,000 tons. In 2010, there were 35 cotton spinning units in **Germany**. Cotton mill use in **Greece** declined to 35,000 tons in 2010/11. Cotton consumption in Portugal decreased by 22% to 29,000 tons in 2010/11.

France's cotton consumption continued to decline to 14,000 tons, 7% down from 2009/10. Three cotton spinning mills are still operating in **France**; the largest will decrease significantly its activity during 2011. Mill use in the Czech Republic was estimated between 8,000 and 10,000 tons in 2010/11. **Poland**'s mill use continued to decrease slightly in 2010/11, to 7,000 tons. Three mills spin cotton, two of them producing pure cotton yarn. In addition, five factories utilize raw cotton to produce non-woven products. Shortages of cotton and high prices affected Polish cotton consumption during 2010/11. Cotton mill consumption in **Belgium** continued to decrease by 3% to 9,000 tons in 2010/11. One cotton spinning mill stopped operating in 2009/10, and there are now two cotton spinning mills operating in the country. In **Spain**, cotton consumption is estimated down to 8,000 tons. In Austria, cotton consumption





was expected to remain stable at 4,000 tons in 2010/11. In **Switzerland**, after over two decades of continuous decline, cotton use was estimated stable at 3,500 tons in 2010/11. 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.

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. The governments of **Finland** and the Netherlands maintain an interest in cotton on behalf of their own industries and to support producers in developing countries.

Since 2004/05, cotton use in the United Kingdom has been reduced to 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** dropped by 31% to 130,000 tons in 2010/11, after close to a decade of more moderate decline. In addition to existing difficulties in obtaining credit from banks, spinning mills faced high cotton prices and decreased cotton supplies from Central Asia, as well as weak demand for yarn in the second half of the season. Some spinning mills had to reduce their activity or stop temporarily. However, contrary to previous years, imports of cotton yarn did not increase.

North America: Strong Recovery in Production

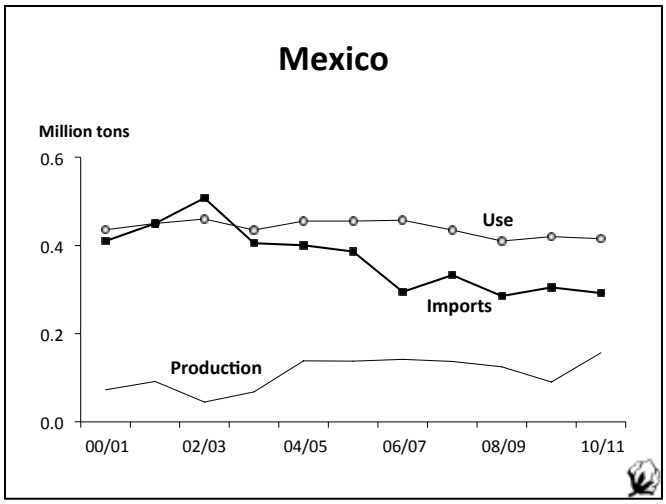
After five seasons of decline, cotton production in North America rebounded by half to 4.1 million tons in 2010/11. Cotton consumption also recovered slightly to 1.25 million tons (+6%) after five years of decline.

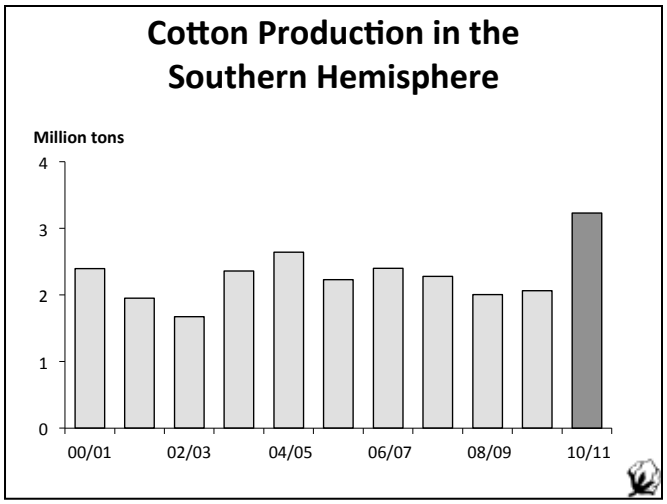
Production in the **United States** rebounded by 49% to 3.9 million tons in 2010/11, putting a stop to a four-year decline. At planting time in 2010, for the first time in several years, U.S. cotton prices were much more attractive than prices of grains and oilseeds. As a result, cotton planted area increased by 20% to 4.4 million hectares. As soil moisture was adequate and the weather excellent, the abandonment rate was only 2.4% (compared to a five-year average of 12%). As a result, harvested cotton area jumped by 42% to 4.3 million hectares in 2010/11. The average yield increased by 4% to 910 kg/ha thanks to favorable weather. Texas, thanks to increased area and a higher-than-average yield, produced a record crop of 1.7 million tons, accounting for 43% of total U.S. production (up from 38% in 2009/10). Upland cotton production jumped by 49% to 3.8 million tons and Pima cotton production recovered by 26% to 110,000 tons.

The **United States** was the sixth largest consumer of raw cotton in 2010/11. After over a decade of almost continuous decline, U.S. mill consumption of cotton recovered by 10% to 827,000 tons, fueled by a larger crop. The **United States** remains the largest market for cotton at the retail level. Net domestic consumption of cotton in the **United States** was estimated at 4.4 million tons in 2010, up by 10% from the previous year. The share of cotton in total domestic consumption of fiber decreased from 41.4% in 2009 to 40.6% in 2010. The volume of U.S. imports of cotton products between August 2010 and April 2011 was estimated at 3.2 million tons, or 3% higher than over the same period in the previous season.

The **United States** is the largest exporter of cotton, accounting for over a third of global exports. After declining for several years owing to decreasing domestic production and lower demand, U.S. cotton exports rebounded by 20% to 3.2 million tons in 2010/11 due to a larger crop and higher demand. However, U.S. Pima cotton exports fell by 29% to 107,000 tons despite firm demand, as a result of a low carryover stocks.

Cotton production in Mexico rebounded by 74% to 157,000 tons in 2010/11. This was the largest crop in 12 years. The





significant rise in international cotton prices in 2009/10 and an increase in the target price used in the government support price mechanism for 2010/11 gave many growers renewed incentives to plant cotton in 2010. Cotton yields in the Laguna region were affected by a plant virus due to excessive moisture resulting from the hurricane Alex, but weather in other regions was overall favorable. The national average yield increased slightly to 1,357 kg/ha.

After a small rebound in 2009/10, cotton mill use in Mexico was estimated slightly down in 2010/11, to 415,000 tons. Cotton mill use in Mexico also started to contract at the beginning of the 2000s, due to competition from imported Asian textile products in the **United States** and Canada. Mexico imported about 292,000 tons of cotton in 2010/11, 4% less than in the previous season. 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 2010/11.

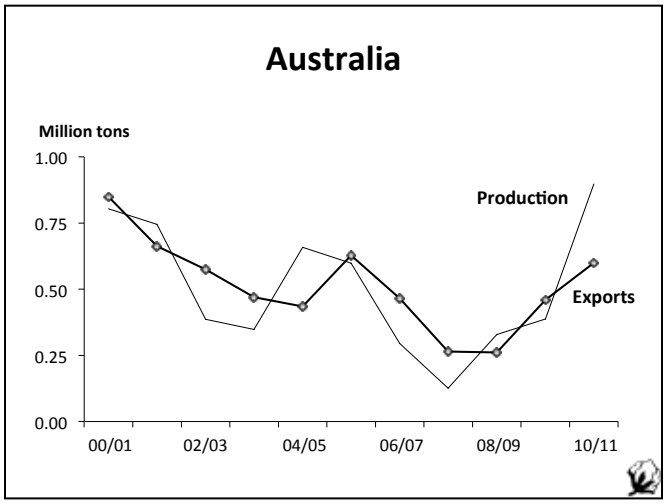
Cotton consumption in Canada was estimated roughly stable at less than 3,000 tons. Mill consumption in Central America was estimated around 50,000 tons, using cotton imported mostly from the **United States**.

Southern Hemisphere: Record Production

Cotton production in the southern hemisphere jumped by 55% to a record of 3.2 million tons in 2010/11, driven by the significant increase in international prices in the months leading up to the planting period. Production reached record levels in **Australia** and **Brazil**. The southern hemisphere accounted for 13% of world production in 2010/11, up from 9% in the previous season.

Australia: Production Doubles to Record

After several years of recurring drought, the return of rains since 2008 has encouraged a recovery in cotton production in **Australia**. Production increased from a 25-year low of 126,000 tons in 2007/08 to 390,000 tons in 2009/10. In 2010/11, high cotton prices, combined with above-average rain, which boosted irrigation water supplies and improved soil moisture levels for dryland cotton, as well as the availability of improved cotton varieties, pushed cotton area to almost triple to 590,000 hectares. This included a record share of dryland area. Cotton was significantly more attractive than grains (mainly wheat) for producers in 2010/11. In addition, a significant portion of the 2010/11 crop had already been committed forward. Cotton plantings took place between September and November 2010. Due to the larger-than-usual proportion of dryland cotton in total plantings, the average yield declined by 185 kg to 1,522 kg/ha. As a result, cotton production in **Australia** more than doubled to a record of 898,000 tons. Despite some floods in Queensland in late 2010 and early 2011, which destroyed some fields and lowered yields in some areas, these losses were offset by increased production in other regions, especially in New South Wales. Export shipments during 2010/11, including the unshipped balance of the 2009/10 crop, were projected at 600,000 tons, up by 30% from the previous season. **Australia** was the fourth largest exporter of cotton in 2010/11.

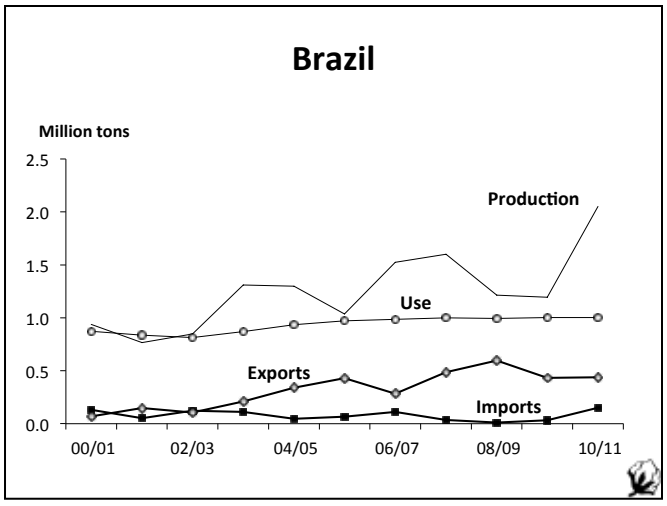


South America: Record Production and Stable Consumption

South American cotton production jumped by 64% to a record of 2.4 million tons in 2010/11, driven by an expansion in plantings. Cotton area rose by half to 2.1 million hectares, while the average yield was up by 9% to 1,170 kg/ha. Cotton mill use in the region was estimated stable at 1.4 million tons.

Brazil was the fourth largest producer of cotton in 2010/11. After two seasons at lower levels, due to a decline in cotton area caused by high production costs, financing difficulties and competition from soybeans, production rebounded to a record 2.1 million tons in 2010/11. This 72% rise was driven by increased plantings (+66% to 1.4 million hectares), due to the firm prices paid for 2009/10 cotton, high international cotton prices at planting time in 2010/11, and the large volume of forward sales already contracted. Most conventional cotton was planted in November and December 2010, whereas "safrinha" and high-density cotton was planted in January and February 2011, after early soybeans. Dry conditions prevailed in Mato Grosso, the largest producing state, in the months preceding soybean planting. This resulted in a delay in soybean plantings, and in some cases, farmers decided to switch from soybeans to conventional cotton. The average yield in 2010/11 was estimated at 1,475 kg/ha, up by 3% from the previous season. Cotton mill use in **Brazil** was estimated stable at 1 million tons in 2010/11. The Brazilian textile industry is supported both by an expanding domestic end-use market and by strong export demand, but a shortage of cotton and high prices prevented cotton mill use from growing in 2010/11. Cotton represents about 60% of fiber consumption in **Brazil**, but consumption of chemical fibers increased in 2010/11. **Brazil** remained the fifth largest consumer of cotton in 2009/10. Cotton exports increased slightly to 440,000 tons, as most of 2010/11 cotton crop will be shipped in 2011/12. The usual 10% duty on imports was eliminated between October 2010 and May 2011, to allow Brazilian spinning mills to import cotton to make up for the shortfall before the arrival of the 2010/11 crop. Cotton imports in 2010/11 jumped to 150,000 tons, up from only 30,000 tons in the previous season.

Cotton production in **Argentina** increased by 24% to 280,000 tons in 2010/11, the largest production in over a decade, driven by an expansion in plantings. Cotton area climbed to 550,000 hectares in 2010/11, encouraged by the good returns received by farmers in 2009/10, strong demand in both the domestic and the export markets, and high cotton prices at harvest time. However, the lack of "empty fields" between the harvest of the 2009/10 crop and planting of the 2010/11 crop, due to the delay in 2009/10 harvest, combined with abundant rains, resulted in heavy pest populations. The harvest was delayed by frequent rains. The average yield was projected at 510 kg/ha. Cotton mill use in **Argentina** was estimated down by 12% to 150,000 tons in 2010/11, due to high cotton



prices, financing difficulties and a decline in demand for yarn in the second half of the season. Spinning mills had to reduce their activity. **Argentina** imported only 9,000 tons of cotton in 2010/11 but exported an estimated 49,000 tons, almost five times the quantity shipped in the previous season.

Cotton production in **Colombia** was estimated at 35,000 tons in 2010/11, up by 28% from the previous season, and reversing a five-year decline. The partial recovery in production was driven by increases in both area and yield. Cotton area in the Coastal region declined to 25,000 hectares due to flood-related losses, whereas cotton area in the Interior region rebounded to 14,000 hectares. Total area was up by 8% from the previous season. The average yield was up by 19% to almost 900 kg/ha thanks in large part to the increase cotton area in the Interior region (where yields are higher than in the Coastal region). Cotton mill use in **Colombia** was estimated stable at 89,000 tons. Imports were estimated up to 54,000 tons.

Cotton production in **Peru** was estimated at 43,000 tons in 2010/11, rebounding from a very small crop of 24,000 tons in the previous season. The recovery in production was led by an increased in planted area. Consumption was estimated around 110,000 tons in 2010/11, up by 10% from 2009/10. **Peru**'s cotton imports increased to 78,000 tons in 2010/11. Most imported cotton comes from the **United States**.

Cotton area in Paraguay shrank significantly over the last decade due mainly to low cotton prices relative to prices of competing crops, increased boll weevil pressure, and low yields resulting from declining soil fertility, low-quality seeds and poor planting techniques. Over recent seasons, many traditional cotton farmers switched to sesame. After reaching a 50-year low of 5,000 tons in 2009/10, production partially recovered to 13,000 tons in 2010/11, thaks to higher cotton prices and improved attractiveness relative to competing crops. Cotton area was estimated at 30,000 hectares, up 70% from the previous season. The average yield also recovered to 420 kg/ha. Cotton mill use in Paraguay was estimated at 7,000 tons in 2010/11, and exports at 2,000 tons.

2010/11 SUPPLY AND USE OF COTTON BY COUNTRY July 20, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	2	3		0	0.11	0.11
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	116	1,357	157	130	292	415	45	119	0.26	0.29
USA	4,333	910	3,942	642	1	827	3,157	600	0.15	0.73
N. America	**4,458**	**920**	**4,101**	**773**	**299**	**1,250**	**3,202**	**721**	**0.16**	**0.58**
EL SALVADOR				5	26	26		5	0.20	0.20
GUATEMALA				6	21	21		6	0.27	0.27
HONDURAS	0	316	0	1	5	5		1	0.14	0.14
C. America	**2**	**510**	**1**	**12**	**52**	**53**		**12**	**0.22**	**0.22**
ARGENTINA	550	509	280	162	9	150	49	252	1.27	1.68
BOLIVIA	5	525	3	2	9	9	3	2	0.21	0.26
BRAZIL	1,391	1,475	2,052	680	150	1,002	440	1,440	1.00	1.44
CHILE				2	10	10		2	0.21	0.21
COLOMBIA	39	825	35	21	54	89	0	21	0.23	0.23
ECUADOR	1	431	1	4	15	16		4	0.24	0.24
PARAGUAY	30	420	13	4		7	2	8	0.90	1.09
PERU	50	861	43	25	78	110	2	34	0.31	0.31
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	361	6	6	15	19	2	6	0.30	0.33
S. America	**2,081**	**1,168**	**2,431**	**906**	**341**	**1,412**	**498**	**1,769**	**0.93**	**1.25**
ALGERIA				4	12	12		4	0.29	0.29
EGYPT	157	869	137	45	120	155	100	47	0.18	0.30
MOROCCO				9	34	34		9	0.26	0.26
SUDAN	45	471	21	9		2	15	13	0.74	6.30
TUNISIA				2	11	11		2	0.21	0.21
N. Africa	**202**	**781**	**158**	**68**	**177**	**214**	**115**	**74**	**0.22**	**0.35**
BENIN	136	442	60	24		4	64	16	0.23	3.89
BURKINA FASO	374	380	142	50		4	138	50	0.35	12.56
CAMEROON	143	430	65	23		2	61	25	0.39	11.01
CENT. AFR. REP.	27	203	6	1			5	2	0.32	
CHAD	132	160	21	19		1	27	13	0.49	26.71
COTE D'IVOIRE	217	273	59	20		0	55	24	0.44	97.39
GUINEA	13	262	4	1			4	1	0.40	
MADAGASCAR				3				3		
MALI	286	362	103	9		3	92	16	0.17	5.33
NIGER	5	439	2	0		1			0.12	0.25
SENEGAL	25	413	10	2		1	10	1	0.14	1.84
TOGO	60	330	20	1			18	3	0.17	
F. Africa	**1,418**	**347**	**492**	**153**		**16**	**474**	**155**	**0.32**	**9.86**
ANGOLA	3	296	1	0		1		0	0.16	0.19
ETHIOPIA	85	236	20	29	1	24	2	24	0.93	1.01
GHANA	6	333	2	1		1		1	0.42	1.05
KENYA	22	250	6	5	2	10		3	0.29	0.29
MALAWI	80	300	22	9		3	16	13	0.67	4.18
MOZAMBIQUE	128	203	26	10			19	17	0.89	
NIGERIA	250	180	45	26	12	20	47	16	0.24	0.83
SOUTH AFRICA	17	1,082	18	4	18	22	7	12	0.42	0.55
TANZANIA	460	196	90	64		29	40	85	1.24	2.94
UGANDA	80	335	27	8		1	27	6	0.23	5.56
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	262	191	50	25			38	38	1.00	
ZIMBABWE	390	282	110	71		14	100	67	0.59	4.78
S. Africa	**1,804**	**233**	**421**	**258**	**61**	**154**	**299**	**288**	**0.64**	**1.87**
KAZAKHSTAN	134	447	60	15	1	13	54	8	0.13	0.63
KYRGYZSTAN	20	750	15	4	3	2	17	3	0.15	1.46
TAJIKISTAN	160	562	90	37		7	94	26	0.26	3.86
TURKMENISTAN	640	562	360	104		115	230	120	0.35	1.04
UZBEKISTAN	1,330	684	910	263	1	273	600	302	0.35	1.11
C. Asia	**2,284**	**628**	**1,435**	**424**	**5**	**410**	**995**	**459**	**0.33**	**1.12**

2010/11 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) July 20, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	4	4		0	0.09	0.09
AZERBAIJAN	32	406	13	4		10	5	3	0.17	0.25
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				1	14	9	5	1	0.10	0.16
BULGARIA	1	321	0	4	12	11	1	4	0.31	0.34
CZECH REP.				4	10	8	3	3	0.26	0.36
DENMARK										
ESTONIA										
FINLAND										
FRANCE				2	18	14	4	2	0.13	0.17
GERMANY				6	47	37	10	7	0.14	0.18
GREECE	250	720	180	24	3	35	155	17	0.09	0.49
HUNGARY				0	2	2		0	0.11	0.11
IRELAND				0	0	0		0	0.17	0.17
ITALY				10	58	52	5	12	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				1	3		3	1	0.38	
NORWAY										
POLAND				0	7	7		0	0.03	0.03
PORTUGAL				6	27	29		5	0.17	0.17
ROMANIA				1	2	2		1	0.27	0.27
RUSSIA				44	115	130		29	0.23	0.23
SLOVAK REP.										
SPAIN	64	676	43	4	4	8	39	5	0.10	0.60
SWEDEN									0.23	
SWITZERLAND				0	4	4	1	0	0.10	0.11
UKRAINE				2	8	8		2	0.20	0.20
UNITED KINGDOM									0.22	
FORMER YUGOSLAVIA				2	8	8		2	0.25	0.25
Europe	**348**	**682**	**237**	**122**	**363**	**392**	**231**	**99**	**0.11**	**0.25**
Including EU-27	**314**	**710**	**223**	**66**	**213**	**218**	**226**	**59**	**0.13**	**0.27**
CHINA	5,220	1,226	6,400	2,780	2,600	9,594	30	2,156	0.22	0.22
TAIWAN				55	195	200		50	0.25	0.25
HONG KONG				20	50	13	44	13	0.23	1.00
Sub total	**5,220**	**1,226**	**6,400**	**2,856**	**2,845**	**9,807**	**74**	**2,220**	**0.22**	**0.23**
AUSTRALIA	590	1,522	898	115	0	9	600	404	0.66	45.80
INDONESIA	9	707	6	87	420	431	4	78	0.18	0.18
JAPAN				18	80	81		17	0.21	0.21
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				43	230	230		43	0.19	0.19
MALAYSIA				15	51	53		13	0.24	0.25
PHILIPPINES	0	560	0	2	14	15		2	0.17	0.17
SINGAPORE				1	3		3	1	0.24	
THAILAND	2	511	1	80	375	375	4	77	0.20	0.21
VIETNAM	9	459	4	73	363	362		78	0.22	0.22
E. Asia	**630**	**1,456**	**917**	**437**	**1,542**	**1,567**	**612**	**717**	**0.33**	**0.46**
AFGHANISTAN	50	410	20	29		4	25	20	0.70	4.87
BANGLADESH	32	437	14	161	750	770		155	0.20	0.20
INDIA	11,161	475	5,304	1,339	91	4,501	1,025	1,208	0.22	0.27
MYANMAR	349	579	202	81		183	8	93	0.49	0.51
PAKISTAN	3,000	636	1,907	411	330	2,200	110	338	0.15	0.15
SRI LANKA				0	2	2		0	0.22	0.22
S. Asia	**14,595**	**510**	**7,450**	**2,023**	**1,174**	**7,663**	**1,168**	**1,816**	**0.21**	**0.24**
IRAN	90	667	60	35	80	140		35	0.25	0.25
IRAQ	20	356	7	1	5	13		1	0.09	0.09
ISRAEL	4	1,860	7	2			7	1	0.18	
SYRIA	150	1,071	161	81		185	2	54	0.29	0.29
TURKEY	380	1,184	450	363	750	1,250	7	296	0.24	0.24
Sub total	**683**	**1,025**	**700**	**488**	**850**	**1,615**	**17**	**395**	**0.26**	**0.24**
WORLD TOTAL	**33,706**	**734**	**24,735**	**8,520**	**7,709**	**24,546**	**7,683**	**8,723**	**0.36**	**0.36**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

2011/12 SUPPLY AND USE OF COTTON BY COUNTRY July 20, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	2	2		0	0.11	0.11
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1			0.47	0.47
MEXICO	187	1,336	250	119	184	407	27	119	0.27	0.29
USA	3,885	897	3,484	600	1	827	2,513	744	0.22	0.90
N. America	**4,081**	**915**	**3,735**	**721**	**191**	**1,242**	**2,540**	**865**	**0.23**	**0.70**
EL SALVADOR				5	26	26		5	0.20	0.20
GUATEMALA				6	21	21		6	0.27	0.27
HONDURAS	0	316	0	1	5	5		1	0.14	0.14
C. America	**2**	**510**	**1**	**12**	**52**	**53**	**0**	**12**	**0.22**	**0.22**
ARGENTINA	550	514	283	252	9	158	98	289	1.13	1.83
BOLIVIA	5	531	3	2	9	9	3	2	0.21	0.26
BRAZIL	1,461	1,448	2,115	1,440	10	1,022	885	1,657	0.87	1.62
CHILE				2	10	10		2	0.21	0.21
COLOMBIA	41	829	34	21	67	96	0	25	0.26	0.26
ECUADOR	1	435	1	4	15	16		4	0.24	0.24
PARAGUAY	65	350	23	8		7	14	10	0.46	1.37
PERU	53	869	46	34	64	108	2	34	0.31	0.32
URUGUAY				0	0	0		0	0.26	0.26
VENEZUELA	15	365	6	6	15	19	2	6	0.30	0.33
S. America	**2,190**	**1,145**	**2,508**	**1,769**	**200**	**1,444**	**1,004**	**2,029**	**0.83**	**1.41**
ALGERIA				4	12	12		4	0.29	0.29
EGYPT	221	800	176	47	95	155	97	66	0.26	0.43
MOROCCO				9	34	34		9	0.26	0.26
SUDAN	89	400	36	13		2	27	19	0.66	9.12
TUNISIA				2	13	13		3	0.21	0.21
N. Africa	**310**	**685**	**212**	**74**	**155**	**216**	**124**	**100**	**0.30**	**0.46**
BENIN	250	400	100	16		4	76	36	0.45	8.91
BURKINA FASO	500	380	190	50		4	160	76	0.46	18.98
CAMEROON	170	500	85	25		2	69	38	0.53	16.89
CENT. AFR. REP.	29	205	6	2			5	2	0.46	
CHAD	160	160	26	13		1	20	18	0.90	36.86
COTE D'IVOIRE	220	325	71	24		2	69	24	0.34	12.20
GUINEA	14	276	4	1			4	2	0.42	
MADAGASCAR				3				3		
MALI	475	360	171	16		3	120	64	0.52	21.30
NIGER	5	444	2	0		1			0.11	0.25
SENEGAL	30	445	13	1		1	12	2	0.20	3.20
TOGO	87	300	26	3			26	3	0.10	
F. Africa	**1,940**	**358**	**694**	**155**		**18**	**563**	**269**	**0.46**	**15.37**
ANGOLA	3	299	1	0		1		0	0.22	0.27
ETHIOPIA	89	239	21	24	1	23		24	1.05	1.05
GHANA	20	360	7	1	1	1	6	3	0.42	2.17
KENYA	38	262	10	3	3	5		10	1.91	1.91
MALAWI	120	303	36	13		3	23	23	0.87	7.59
MOZAMBIQUE	136	200	27	17			24	20	0.82	
NIGERIA	350	180	63	16	1	20	32	29	0.56	1.46
SOUTH AFRICA	20	1,000	20	12	7	20	7	12	0.43	0.58
TANZANIA	483	198	95	85		29	65	87	0.92	2.99
UGANDA	100	330	33	6		1	22	16	0.71	14.25
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	320	180	58	38			52	43	0.83	
ZIMBABWE	400	310	124	67		14	95	82	0.76	5.88
S. Africa	**2,101**	**238**	**501**	**288**	**40**	**148**	**326**	**355**	**0.75**	**2.41**
KAZAKHSTAN	140	500	70	8	1	15	54	11	0.15	0.72
KYRGYZSTAN	20	754	15	3	3	2	16	3	0.16	1.46
TAJIKISTAN	200	530	106	26		7	93	33	0.33	4.84
TURKMENISTAN	640	594	380	120		127	232	141	0.39	1.12
UZBEKISTAN	1,316	735	967	302	1	275	649	345	0.37	1.25
C. Asia	**2,316**	**664**	**1,538**	**459**	**5**	**425**	**1,044**	**533**	**0.36**	**1.25**

2011/12 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) July 20, 2011

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	4	4		0	0.10	0.10
AZERBAIJAN	50	410	20	3		10	9	4	0.19	0.36
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				1	13	8	5	1	0.10	0.16
BULGARIA	1	321	0	4	11	10	1	4	0.34	0.38
CZECH REP.				3	11	8	3	3	0.26	0.37
DENMARK										
ESTONIA										
FINLAND										
FRANCE				2	14	11	4	2	0.11	0.15
GERMANY				7	43	35	8	7	0.15	0.19
GREECE	300	950	285	17	3	33	227	44	0.17	1.33
HUNGARY				0	2	2		0	0.11	0.11
IRELAND				0	0	0		0	0.19	0.19
ITALY				12	53	49	4	11	0.21	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				1	3		3	1	0.38	
NORWAY										
POLAND				0	6	6		0	0.03	0.03
PORTUGAL				5	27	27		5	0.18	0.18
ROMANIA				1	2	2		1	0.28	0.28
RUSSIA	1	516	1	29	120	120		30	0.25	0.25
SLOVAK REP.										
SPAIN	67	744	50	5	4	7	44	7	0.13	0.91
SWEDEN				0	0	0		0	0.24	0.24
SWITZERLAND				0	4	3	1	0	0.11	0.12
UKRAINE				2	8	8		2	0.21	0.21
UNITED KINGDOM				0	0	0		0	0.22	0.22
FORMER YUGOSLAVIA				2	8	8		2	0.25	0.25
Europe	**419**	**850**	**357**	**99**	**352**	**369**	**310**	**129**	**0.11**	**0.35**
Including EU-27	**368**	**911**	**335**	**59**	**199**	**206**	**300**	**87**	**0.17**	**0.42**
CHINA	5,534	1,300	7,194	2,156	3,264	9,834	5	2,775	0.28	0.28
TAIWAN				50	190	190		50	0.27	0.27
HONG KONG				13	50	12	40	12	0.23	1.02
Sub total	**5,534**	**1,300**	**7,194**	**2,220**	**3,504**	**10,035**	**45**	**2,837**	**0.28**	**0.28**
AUSTRALIA	550	2,011	1,106	404	0	8	919	583	0.63	69.58
INDONESIA	9	711	6	78	437	431	4	87	0.20	0.20
JAPAN				17	71	73		15	0.20	0.20
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				43	228	225		45	0.20	0.20
MALAYSIA				13	53	53	0	13	0.24	0.25
PHILIPPINES	0	563	0	2	14	15		2	0.17	0.17
SINGAPORE				1	3		3	1	0.24	
THAILAND	2	513	1	77	373	368	4	80	0.21	0.22
VIETNAM	10	461	5	78	388	384		87	0.23	0.23
E. Asia	**591**	**1,905**	**1,126**	**717**	**1,573**	**1,568**	**931**	**916**	**0.37**	**0.58**
AFGHANISTAN	50	410	20	20		4	21	16	0.64	3.82
BANGLADESH	36	400	14	155	849	801		217	0.27	0.27
INDIA	12,165	475	5,779	1,208	91	4,681	1,014	1,382	0.24	0.30
MYANMAR	349	581	203	93		192		104	0.54	0.54
PAKISTAN	3,242	670	2,172	338	281	2,244	100	447	0.19	0.20
SRI LANKA				0	2	2		0	0.22	0.22
S. Asia	**15,846**	**517**	**8,191**	**1,816**	**1,223**	**7,927**	**1,135**	**2,168**	**0.24**	**0.27**
IRAN	120	673	81	35	59	140		35	0.25	0.25
IRAQ	20	358	7	1	5	13		1	0.09	0.09
ISRAEL	9	1,628	14	1			14	1	0.09	
SYRIA	180	1,100	198	54		185	13	54	0.27	0.29
TURKEY	475	1,330	632	296	683	1,275	7	329	0.26	0.26
Sub total	**842**	**1,124**	**947**	**395**	**762**	**1,640**	**35**	**428**	**0.25**	**0.26**
WORLD TOTAL	**36,152**	**747**	**26,995**	**8,723**	**8,056**	**25,078**	**8,056**	**10,640**	**0.42**	**0.42**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

Cotton: World Statistics

SEPTEMBER 2011

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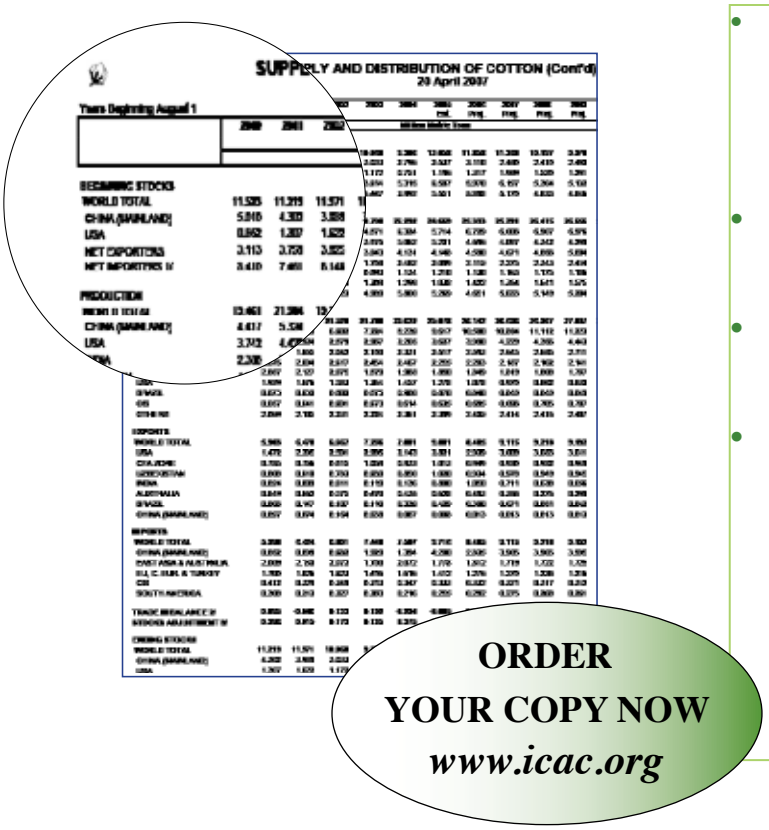

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