INTERNATIONAL COTTON ADVISORY COMMITTEE
Standing Committee
Washington, DC
SC-N-523
April 18, 2013

WORLD COTTON SITUATION

Outlook for 2012/13 and 2013/14

Beginning the season at 81.65 cents per pound on August 1, 2012, the Cotlook A Index dropped slightly to 79.40 cents in November before rising steadily to 98.85 cents on March 18, 2013 and has retreated to the low 90s cent level since. International cotton prices has shown an average level of volatility, a stark contrast to the extreme volatility in 2010 during which cotton prices rapidly rose from 86.3 cents per pound to 243.65 cents per pound in the first 6 months.

In 2012/13, global cotton production is estimated down by 5% from 27.4 million tons to 26 million tons, and projected to drop another 9% to 24 million tons in 2013/14. From this season to the next, cotton production in both China and the United States is estimated to decrease by 700,000 tons, and Brazil and Australia by 100,000 tons. On the other hand, cotton mill use is expected to rise by 3% to from 22.8 million tons 23.4 million tons, and projected to rise 1% to 23.7 million tons in 2013/14. The increase in mill use in India, Bangladesh, Turkey and Pakistan is expected to be offset by reduction in China in the next season. As a result, cotton stocks at the end of season 2012 and 2013 are forecast above 16 million tons, up 18% and 1.5% respectively. The global stocks-to-use ratio is forecast at 71% in 2012/13 and 69% in 2013/14, the highest level since World War II.

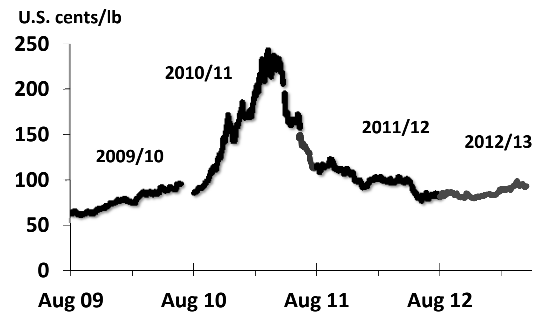
However, the China National Reserve has expanded from 300,000 tons of cotton stocks last season to an estimated 1 million tons as of March, reducing “free” global stocks. “Free” global ending stocks is estimated at 8 million tons and 6.8 million tons in 2012/13 and 2013/14 respectively, and the stocks-to-use ratio in the world minus the China national reserve drop to 28% and 27% respectively breaking the lowest stocks-to-use record of 33% in 1989/90, posing a potential challenge to the global supply of cotton outside of China.

Another challenge the cotton sector is facing is the increasing substitution of manmade fiber. The increase in cotton prices in 2010 and 2011 during the period of high volatility eroded the price competitiveness of cotton to other fiber. Around its peak, the average monthly price of cotton in March 2011 was 229.67 cents per pound, almost two and half times the price of polyester. In 2011 when global cotton mill use contracted 4.9% by 1.2 million, non-cotton fiber consumption increased 5.5% by 2.6 million tons. According to the ICAC Textile Demand Model, the market share of cotton in world fiber consumption is estimated at 31.2% and 31.7% in 2012 and 2013 respectively.

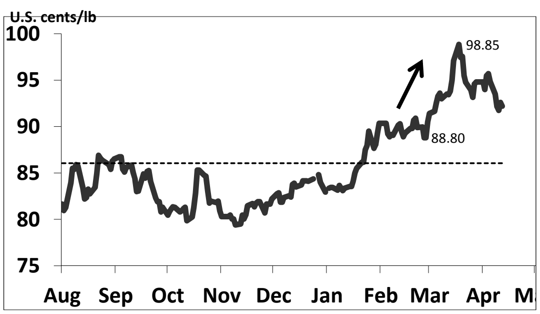
Outlook for World Cotton Supply and Use

April 18, 2013

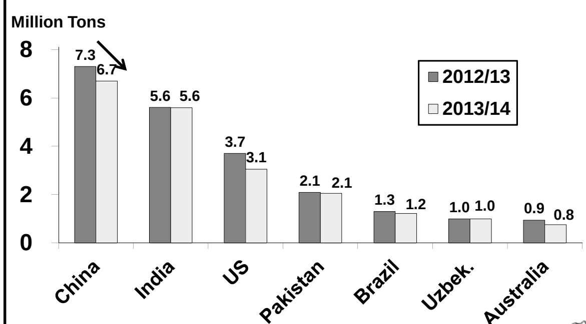
Cotlook A Index



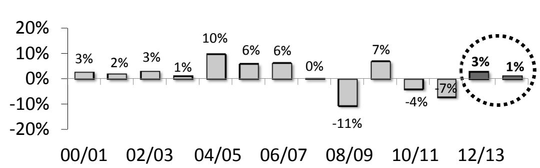
Cotlook A Index in 2012/13



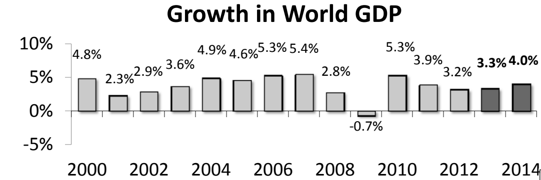
Cotton Production



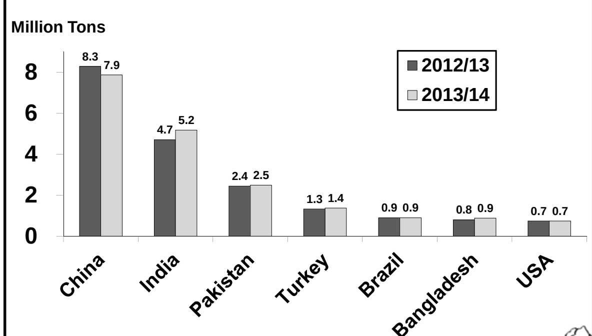
Growth in World Cotton Mill Use

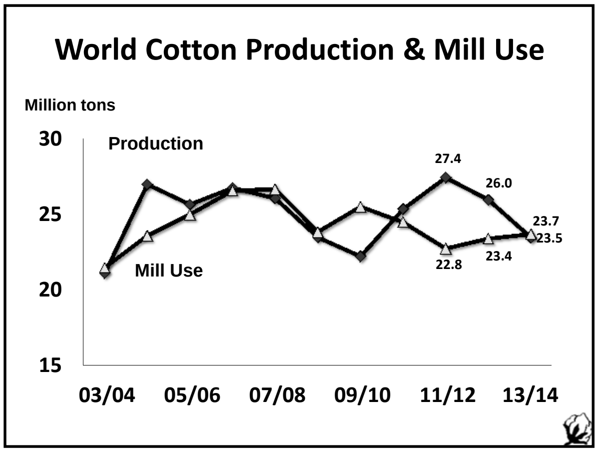


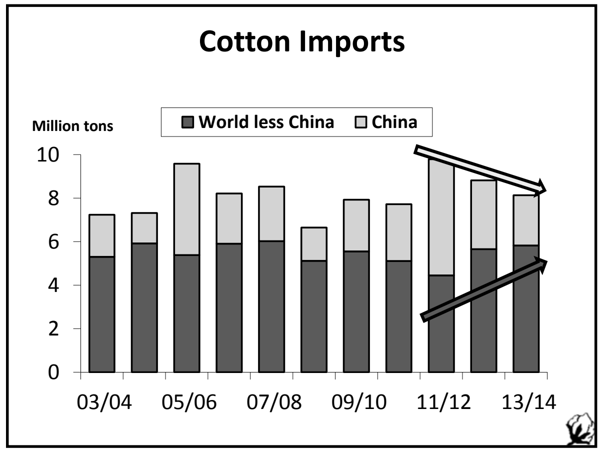
Growth in World GDP

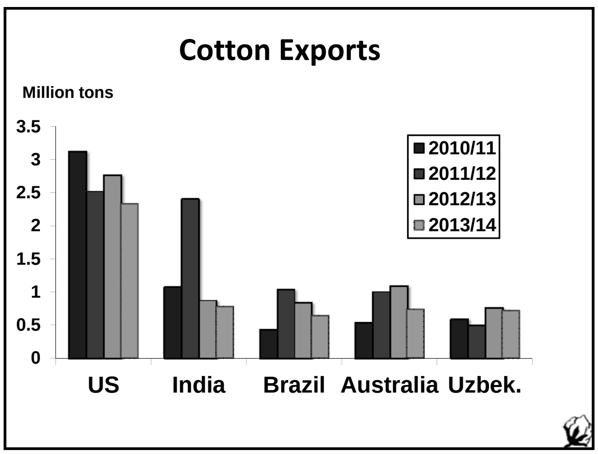


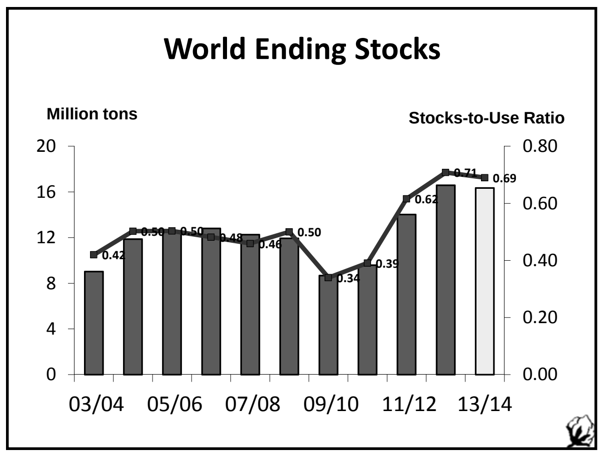
Cotton Mill Use

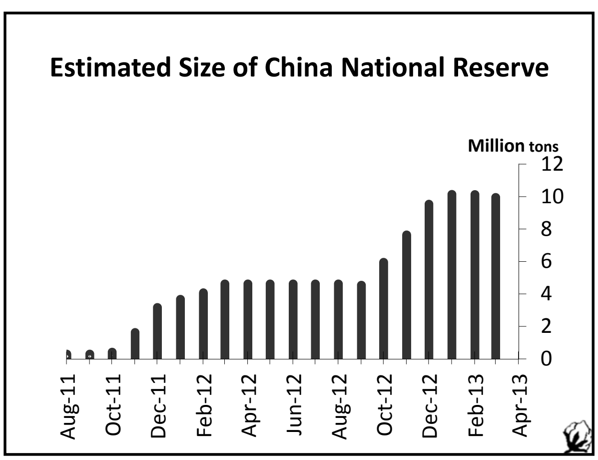


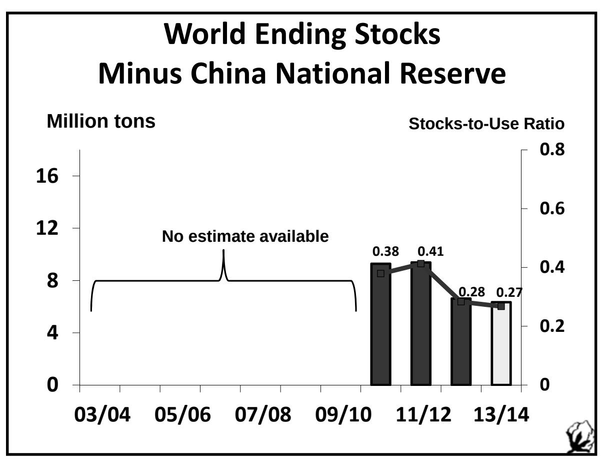

World Cotton Production & Mill Use
Million tons
30
25
20
15
Production
Mill Use
27.4
26.0
23.7
23.5
22.8
23.4
03/04
05/06
07/08
09/10
11/12
13/14

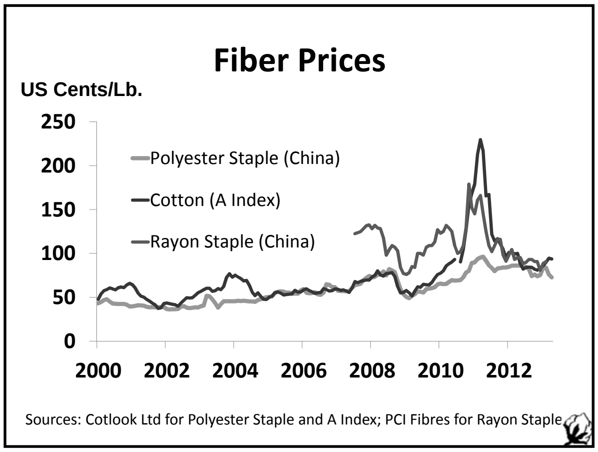

Cotton Imports
Million tons
World less China
China
10
8
6
4
2
0
03/04
05/06
07/08
09/10
11/12
13/14

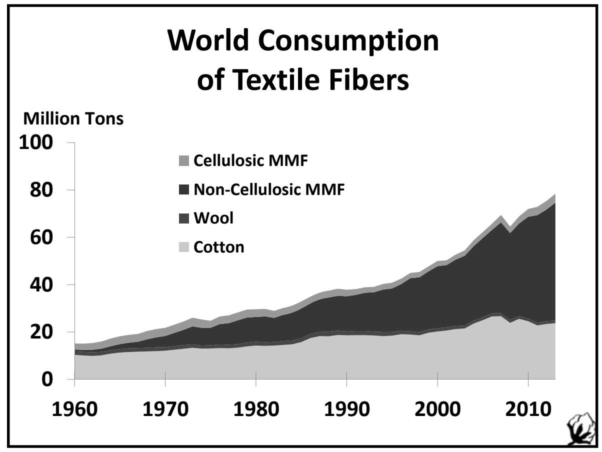

Cotton Exports
Million tons
3.5
3
2.5
2
1.5
1
0.5
0
2010/11
2011/12
2012/13
2013/14
US
India
Brazil
Australia
Uzbek.

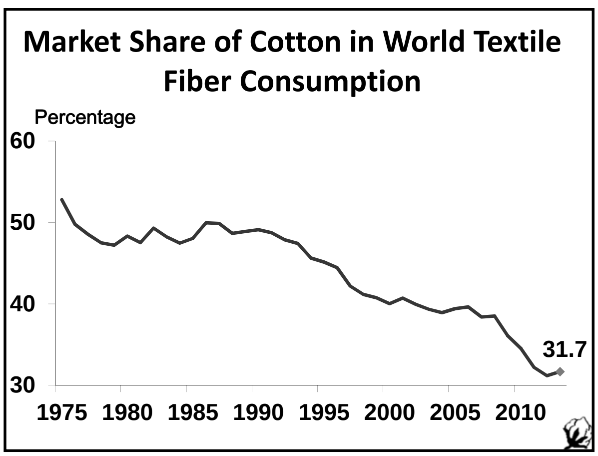

World Ending Stocks
Million tons
Stocks-to-Use Ratio
20
16
12
8
4
0
0.80
0.60
0.40
0.20
0.00
0.42
0.50
0.48
0.46
0.34
0.39
0.62
0.71
0.69
03/04
05/06
07/08
09/10
11/12
13/14


Estimated Size of China National Reserve
Million tons
12
10
8
6
4
2
0
Aug-11
Oct-11
Dec-11
Feb-12
Apr-12
Jun-12
Aug-12
Oct-12
Dec-12
Feb-13
Apr-13


World Ending Stocks
Minus China National Reserve
Million tons
Stocks-to-Use Ratio
16
12
8
4
0
0.8
0.6
0.4
0.2
0
No estimate available
0.38
0.41
0.28
0.27
03/04
05/06
07/08
09/10
11/12
13/14


Fiber Prices
US Cents/Lb.
250
200
150
100
50
0
2000
2002
2004
2006
2008
2010
2012
Polyester Staple (China)
Cotton (A Index)
Rayon Staple (China)
Sources: Cotlook Ltd for Polyester Staple and A Index; PCI Fibres for Rayon Staple


World Consumption of Textile Fibers
Million Tons
100
80
60
40
20
0
1960
1970
1980
1990
2000
2010
Cellulosic MMF
Non-Cellulosic MMF
Wool
Cotton


Market Share of Cotton in World Textile Fiber Consumption
Percentage
60
50
40
30
31.7
1975
1980
1985
1990
1995
2000
2005
2010