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From the Secretariat

ICAC Press Release, November 1, 2010

Record World Cotton Prices and High Volatility

International cotton prices continued to rise steeply in October. On October 11, the Cotlook A Index broke the previous record of 119.4 cents per pound established in April 1995, and continued to rise in the following weeks, reaching 147 cents per pound on October 27, 2010. The Cotlook A Index averaged 127 cents per pound in October 2010, 89% higher than in October 2009. Price volatility is also very high this season.¹ It averaged 57% from August to October 2010, compared to 11% over the same period in 2009/10. This was the highest volatility recorded in the first three months of a season since the Cotlook A Index was first published in the 1960s.

The steep rise and high volatility of cotton prices over the first three months of the current season reflect primarily a combination of low global cotton stocks and continued demand by spinning mills, but has also been affected by panic induced by fear of defaults on contracts. Global cotton stocks fell by 25% in 2009/10 to 8.9 million tons, the smallest in seven seasons. In 2010/11, rising production and mill use are expected to keep global stocks tight. The strengthening of prices over the last few months has been exacerbated by several additional factors: difficulties to source cotton in the transition period between the two seasons, the drop in Pakistan's production estimate due to devastating floods and the smaller-than-expected Chinese production, restrictions on shipments from India and the weakening of the U.S. dollar.

The ICAC Price Model forecasts a 2010/11 season-average Cotlook A Index of 92 cents per pound, 18% higher than last season and the highest since 1994/95. The 95% confidence interval extends from 80 to 106 cents per pound.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
	Million Tons			Million Bales		
Production	23.33	21.8	25.3	107.2	100	116
Consumption	23.52	24.6	25.0	108.0	113	115
Exports	6.62	7.8	8.4	30.4	36	39
Ending Stocks	11.96	8.9	9.3	54.9	41	43
Cotlook A Index*	61.20	77.54	92**	61.20	77.54	92**

* Season-average Cotlook A Index (U.S. cents per pound).

** The price projection for 2010/11 is based on the ending stocks/consumption ratio in the world-less-China in 2008/09 (estimate), in 2009/10 (estimate) and in 2010/11 (projection), on the ratio of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection), and on the average price for the first three months of 2010/11.

95% confidence interval: 80 to 106 cents per pound.

(Press releases are available via e-mail. For further information, please contact us at Publications@icac.org)

The International Cotton Advisory Committee is an association of governments of cotton producing and consuming countries. The Secretariat of the Committee publishes information related to world cotton production, supply, demand and prices, and provides technical information on cotton production technology. Detailed statistics are found bimonthly in COTTON: Review of the World Situation, \$185 per year. A monthly outlook is available on the Internet for \$295 per year. Access to the weekly estimates of world cotton supply and use by the Secretariat is also available on the Internet for \$460 per year.

¹ The volatility in the Cotlook A Index is estimated by calculating the spread between the minimum and the maximum values of the Index reached over a given period, and dividing it by the average.