



# INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington, DC 20006 USA

Telephone: (202) 463-6660 • Fax: (202) 463-6950 •

E-mail: [secretariat@icac.org](mailto:secretariat@icac.org) • Internet: <http://www.icac.org>



*From the Secretariat*

*ICAC Press Release, December 1, 2016*

## **India Currency Crisis to Have Limited Impact on Global Cotton Markets**

Despite weak global demand for cotton and higher production in 2016/17, international cotton prices have remained elevated, with the Cotlook A Index averaging 79 cents/lb during the first four months of the season. The unanticipated shortfall in production in 2015/16 led to a 14% decline in both world stocks and in stocks outside of China, which pushed prices up at the end of last season. Prices have remained high as the bulk of the 2016/17 crop is only just now reaching the international market. In addition, the currency crisis in India is temporarily exacerbating the situation, since that country is the world's largest producer of cotton and second largest exporter. Insufficient supplies of the new notes have led to a currency crisis, since much of the Indian economy operates on a cash basis, including payments to farmers. This has led to delays in sales of cotton and shipments to ports, creating shortages in the domestic market as well as reducing supplies to the global market. However, the effect of the crisis will be limited as the crisis is likely to be resolved in the near future.

Due to the delay in Indian cotton reaching the global market, other countries may benefit from increased exports in the short term. Bangladesh is expected to be the largest importer of cotton in 2016/17 for the second consecutive season as its mill use continues to grow, with imports expanding by 1% to 1.4 million tons. Bangladesh, which imports from India may use cotton from other countries for its immediate needs. Exports from the United States are projected to increase by 29% to 2.6 million tons, remaining the world's largest exporter. The sizeable crop anticipated in Australia is likely to cause its exports to increase by 21% to 750,000 tons. Exports from Burkina Faso and Mali, the sixth and seventh largest exporters, are expected to increase by 13% to 295,000 tons and by 17% to 255,000 tons, respectively, as a result of larger crops. Cotton from these origins may replace some of India's exports if their crops reach the global market sooner. Indian cotton exports are expected to fall by 34% to 825,000 tons in 2016/17.

After declining by 1% in the previous season, world cotton mill use is expected to remain stable at 24.2 million tons in 2016/17. Cotton consumption is projected to remain stable in the top three consuming countries: China at 7.4 million tons, India at 5.2 million tons and Pakistan at 2.3 million tons. Higher cotton prices and lower demand for cotton yarn from China have limited growth in cotton mill use in India and Pakistan.

World cotton production is projected to rise by 7% to 22.5 million tons. Although India's cotton area contracted by 8% to just under 11 million hectares, production is unchanged from 2015/16 at 5.8 million tons. The average yield increased by 9% to 526 kg/ha. Output in China shrank by 4% to 4.6 million tons while production in the United States rose by 24% to 3.5 million tons. Pakistan's cotton production increased by 24% to 1.9 million tons in 2016/17. Brazil's cotton production is forecast to increase by 8% to 1.4 million tons.

Despite remaining stable, world cotton consumption is forecast to exceed world production by 1.7 million tons, which also contributes to firm cotton prices in 2016/17. As a result, ending are projected to shrink by 9% to 17.4 million tons, which represents 72% of expected mill use.

**WORLD COTTON SUPPLY AND DISTRIBUTION**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
				<b>Changes from previous month</b>		
	<b>Million Tons</b>			<b>Million Tons</b>		
<b>Production</b>	26.20	21.03	22.48	0.00	0.00	0.08
<b>Consumption</b>	24.47	24.17	24.20	0.27	0.36	0.44
<b>Imports</b>	7.78	7.46	7.64	0.21	0.25	0.16
<b>Exports</b>	7.81	7.53	7.64	0.00	0.03	0.16
<b>Ending Stocks</b>	22.32	19.10	17.38	0.07	-0.04	-0.40
<b>Cotlook A Index</b>	71	70	75*			

\* The price projection for 2016/17 is based on the ending stocks/consumption ratio in the world-less-China in 2014/15 (estimate), in 2015/16 (estimate) and in 2016/17 (projection), on the ratio of Chinese net imports to world imports in 2015/16 (estimate) and 2016/17 (projection). The price projection is the mid-point of the 95% confidence interval: 66 cts/lb to 87 cts/lb.

(Press releases are available via e-mail. For further information, please contact us at [Publications@icac.org](mailto: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, \$150 per year. A monthly outlook is available on the Internet for \$300 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.