



INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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Cotton Prices Rise as Stocks Tighten

International cotton prices jumped to over 80 cents/lb in the second half of July 2016 from an average of 70 cents/lb for the rest of the season. Significantly lower crops in the five largest producing countries and higher than expected demand led to tighter stocks at the end of 2015/16, at which time world ending stocks were estimated to have fallen by 12% to 19.7 million tons. Stocks outside of China decreased by 9%, to 8.4 million tons, which is the lowest level since 2010/11, when they reached 8.3 million tons. Furthermore, strong demand in China has reduced its national stocks by 12%, to 11.3 million tons.

Demand for cotton from the Chinese government's reserve has been strong since auctions started in May 2016. On average, 26,000 tons of cotton have been offered daily, nearly all of which has been sold and total sales through the end of July are around 1.6 million tons, reducing China's national reserve to 9.4 million tons. In 2015/16, China's cotton production declined by 26% to 4.8 million tons, but cotton mill use in China decreased by 2% to 7.3 million tons, exceeding production by 2.5 million tons. Import quotas limited the total volume of imports to 940,000 tons in 2015/16, and sales from the reserve were used to meet the excess demand.

World cotton demand declined by 1% to 23.9 million tons in 2015/16, but world production decreased by 18% to 21.3 million tons, contributing to the tight supply situation at the end of the season. Declines in production occurred in the top five producers, which account for 76% of world output. India, the world's largest cotton producer, saw its production fall by 11% to 5.7 million tons in 2015/16. As noted above, China's production declined to 4.8 million tons, while output in the United States decreased by 21% to 2.8 million tons. Yields in Pakistan fell to their lowest level since 1998/99, resulting in a 34% drop in production to 1.5 million tons. Output in Brazil declined by 11%, to 1.4 million tons. In 2016/17, world production is predicted to increase by 8%, to 22.9 million tons. Gains in India, the United States, Pakistan and Brazil will offset the loss of production in China in 2016/17. Better cotton prices during the growing season will encourage farmers to use more inputs, such as fertilizer, in order to improve yields and take advantage of higher prices. In addition, weather has generally been more favorable this summer than in 2015.

Although world production is expected to increase in 2016/17, consumption is projected to remain stable at 23.9 million tons. Mill use in China, the world's largest consumer, is forecast to decrease by 3%, to 7.1 million tons, due to high cotton prices, low polyester prices, and limited imports. However, mill use may stage a modest recovery in India and Pakistan, where consumption is projected to increase by 2%, to 5.3 million tons, and by 1%, to 2.2 million tons, respectively.

World imports are forecast to increase by 4%, to 7.5 million tons, as mill use continues to grow in countries that rely on imports. Shipments received by the world's two largest importers, Vietnam and Bangladesh, are expected to rise by 19%, to 1.26 million tons, and 18%, to 1.21 million tons, respectively.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
	Million Tons			Changes from previous month		
	Million Tons			Million Tons		
Production	26.12	21.27	22.89	0.00	-0.48	0.16
Consumption	24.18	23.85	23.93	-0.10	0.22	0.27
Imports	7.58	7.25	7.44	-0.02	-0.09	0.10
Exports	7.72	7.31	7.54	0.08	-0.03	0.10
Ending Stocks	22.32	19.67	18.63	0.04	-0.73	-0.84
Cotlook A Index	71	70	72*			

* 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: 58 cts/lb to 89 cts/lb.

(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, \$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.