



February 2012

www.cottoninc.com

Cotton prices remained range-bound over the last month. Prices for the March futures contract on the New York exchange traded between 93 and 100 cents/lb. Over the same time period, values for the A Index ranged between 99 and 104 cents/lb. After the release of this month's USDA report, March futures moved lower, closing near 90 cents/lb.

The latest USDA report featured revisions to historical figures for several Asian countries. The most significant updates were for India, but a series of minor revisions were also made for central Asian nations. The Indian production figure for 2009/10 increased 800,000 bales, and the Indian production figure for 2010/11 increased 1.0 million bales. Estimates for historic Indian mill use also rose, with 2010/11 consumption increasing 350,000 bales. The net effect of these changes was that Indian beginning stocks for the current 2011/12 crop year increased 1.5 million bales.

This increase in Indian supply was a major contributor to the 1.6 million bale increase in estimated 2011/12 world beginning stocks in the February report. Other changes to 2011/12 figures included a 505,000 bale addition to the global production figure, with the largest country-level revision being for Pakistan (+400,000 bales). The global consumption figure for 2011/12 was reduced 285,000 bales, with the largest country-level revisions being for Thailand (-100,000 bales) and the United States (-100,000 bales). Higher estimates for world beginning stocks and production, together with a decrease in consumption, led February's forecast for 2011/12 ending stocks to increase 2.4 million bales relative to last month. With these revisions, expectations are that ending stocks will increase 13.8 million bales this crop year, representing the largest addition to world ending stocks since 1984/85.

The magnitude of the 2011/12 surplus can be seen as a product of market reactions to the record prices in 2010/11. One general market reaction to high prices is lower demand. Last crop year's surge in fiber prices, along with rising wages, higher financing charges, and elevated energy costs in textile and apparel manufacturing countries, pushed sourcing costs for finished textile and apparel goods higher. This pressure, when paired with consumer resistance to rising retail prices, led to reduced order volumes. In addition to impacting order volumes, last year's volatility could have also affected order composition, likely causing some substitution of cotton to other fibers. At 109.7 million bales, these effects on demand helped bring the current forecast for 2011/12 mill use to a level lower than that for 2008/09, the crop year that coincided with the recent global recession.

In addition to lowering demand, higher prices can be expected to increase production. The peak in cotton prices last crop year coincided with the general time period that northern hemisphere producers decide which crop to plant. With cotton offering attractive prices relative to other crops that can commonly be planted on the same land last spring, world cotton acreage increased. Given the increase in acreage, the USDA estimates 2011/12 production to be the highest ever (123.3 million bales), exceeding the previous record of 122.2 million set in 2006/07 by 1.1 million bales.

The combined effects of higher prices, bringing demand lower and production higher, resulted in a significant increase in the stocks-to-use ratio. The current figure for the stocks-to-use ratio is 55.4%, its highest level since 2004/05 and 14.4 percentage points higher than last crop year. In 2004/05, A Index values averaged 52 cents/lb. So far this crop year, the lowest that A Index values have fallen is 92 cents/lb. With prices remaining at elevated levels relative to historical values despite weak demand and a large increase in stocks, the volatility last crop year could have been a signal that the historical relationship between cotton prices and the stocks-to-use ratio was shifting.

A reason why the stocks-to-use/price relationship may have shifted could have to do with the important increases in prices for crops that compete with cotton for acreage. Given persistently high prices for grains and oilseeds since 2006/07, the threat of loss of cotton acreage due to uncompetitive returns could be a reason why cotton prices have been able to maintain levels above historical averages this crop year. Another factor that could be cited as supportive of cotton prices is the Chinese reserve system. However, the price guaranteed by the Chinese was derived as a ratio of cotton prices relative to those for wheat and therefore is also a reflection of prices for other crops. Currently, cotton prices are less competitive than they were a year ago. Upcoming estimates regarding 2012/13 acreage should shed additional light on how the world's cotton producers might respond to cotton prices that are less attractive relative to competing crops than they were last year. The National Cotton Council will release acreage estimates based on a survey of U.S. cotton growers February 11th. The USDA will release a preliminary set of supply and demand statistics at the world level and also for a limited number of major cotton producing and consuming countries February 24th.

Data Tables and Price Charts

Balance Sheets		Production	Exports	Consumption	Imports	Prices
U.S. (bales)	China (bales)	World (bales)	Bales	Bales	Bales	Last 3 Years
U.S. (tons)	China (tons)	World (tons)	Tons	Tons	Tons	Last 3 Months

U.S. Cotton Balance Sheet

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
Beginning Stocks	9.5	10.1	6.3	2.9	2.6	2.6
Production	19.2	12.8	12.2	18.1	15.7	15.7
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	28.7	22.9	18.5	21.1	18.3	18.3
U.S. Mill Use	4.6	3.5	3.6	3.9	3.6	3.5
Exports	13.6	13.3	12.0	14.4	11.0	11.0
Demand	18.2	16.8	15.6	18.3	14.6	14.5
Ending Stocks	10.1	6.3	2.9	2.6	3.7	3.8
Stocks/Use Ratio	55.2%	37.7%	18.9%	14.2%	25.3%	26.2%

Source: USDA

China Cotton Balance Sheet

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
Beginning Stocks	20.5	20.5	22.4	15.2	11.6	11.6
Production	37.0	36.7	32.0	30.5	33.5	33.5
Imports	11.5	7.0	10.9	12.0	16.0	17.0
Supply	69.1	64.2	65.3	57.7	61.1	62.1
China Mill Use	51.0	44.0	50.0	46.0	44.0	44.0
Exports	0.1	0.1	0.0	0.1	0.1	0.1
Demand	51.1	44.1	50.0	46.1	44.1	44.1
Ending Stocks	20.5	22.4	15.2	11.6	17.1	18.1
Stocks/Use Ratio	40.2%	50.7%	30.5%	25.2%	38.7%	41.0%

Source: USDA

World Cotton Balance Sheet

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
Beginning Stocks	62.5	61.0	60.8	45.3	45.3	47.0
Production	119.7	107.5	102.6	116.5	122.8	123.3
Supply	182.2	168.4	163.4	161.7	168.2	170.3
Consumption	123.6	110.3	119.0	114.6	110.0	109.7
Ending Stocks	61.0	60.8	45.3	47.0	58.4	60.8
Stocks/Use Ratio	49.3%	55.1%	38.1%	41.0%	53.1%	55.4%

Source: USDA

[return to text](#)

World Cotton Production

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
China	37.0	36.7	32.0	30.5	33.5	33.5
India	24.0	22.6	23.8	26.4	27.0	27.0
United States	19.2	12.8	12.2	18.1	15.7	15.7
Pakistan	8.6	8.7	9.6	8.8	10.0	10.4
Brazil	7.4	5.5	5.5	9.0	9.0	9.0
Australia	0.6	1.5	1.8	4.2	5.0	5.0
Uzbekistan	5.4	4.6	3.9	4.1	4.2	4.2
Turkey	3.1	1.9	1.8	2.1	3.1	3.1
EU-27	1.7	1.2	1.1	1.1	1.6	1.6
African Franc Zone	2.3	2.2	2.1	2.1	1.5	1.5
Turkmenistan	1.4	1.6	1.5	1.8	1.4	1.4
Greece	1.6	1.2	0.9	0.9	1.4	1.4
Argentina	0.7	0.6	1.0	1.3	1.2	1.2
Mexico	0.6	0.6	0.5	0.7	1.2	1.2
Syria	1.1	1.1	1.0	0.7	0.9	0.9
Rest of World	6.7	5.9	5.0	5.5	7.6	7.7
World Total	119.7	107.5	102.6	116.5	122.8	123.3

Source: USDA

World Cotton Exports

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
United States	13.6	13.3	12.0	14.4	11.0	11.0
India	7.5	2.4	6.6	5.1	6.0	6.3
Australia	1.2	1.2	2.1	2.5	4.0	4.0
Brazil	2.2	2.7	2.0	2.0	3.9	3.9
Uzbekistan	4.2	3.0	3.8	2.7	2.8	2.7
EU-27	1.6	1.0	1.1	1.0	1.3	1.3
African Franc Zone	1.7	1.5	1.4	1.3	1.2	1.2
Greece	1.3	0.8	0.9	0.8	1.0	1.0
Turkmenistan	0.9	0.8	1.2	1.1	0.9	0.9
Burkina	0.8	0.8	0.8	0.7	0.6	0.6
Mali	0.5	0.3	0.4	0.5	0.6	0.6
Pakistan	0.3	0.4	0.7	0.6	0.5	0.6
Tajikistan	0.5	0.4	0.5	0.4	0.4	0.5
Zimbabwe	0.4	0.3	0.4	0.4	0.4	0.4
Argentina	0.0	0.1	0.1	0.3	0.4	0.4
Rest of World	4.8	3.5	3.8	3.9	3.8	4.3
World Total	39.1	30.4	35.6	35.7	36.5	37.4

Source: USDA

Note: African Franc Zone includes Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, and Mali.

[return to text](#)

World Cotton Consumption

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
China	51.0	44.0	50.0	46.0	44.0	44.0
India	18.6	17.8	19.8	21.1	19.5	19.5
Pakistan	12.0	11.3	10.8	10.0	10.3	10.3
Turkey	6.2	5.1	5.8	5.6	5.3	5.3
Brazil	4.6	4.2	4.4	4.3	4.3	4.3
United States	4.6	3.5	3.6	3.9	3.6	3.5
Bangladesh	3.5	3.8	3.9	3.7	3.4	3.4
Indonesia	2.5	2.3	2.2	2.1	2.0	2.0
Mexico	2.0	1.9	1.9	1.7	1.7	1.7
Vietnam	1.2	1.3	1.6	1.7	1.6	1.5
Thailand	2.0	1.6	1.8	1.7	1.5	1.4
Uzbekistan	1.0	1.0	1.1	1.3	1.3	1.3
South Korea	1.0	1.0	1.0	1.0	1.0	1.0
Taiwan	1.0	0.8	1.0	0.9	0.9	0.9
Argentina	0.8	0.8	0.8	0.8	0.8	0.8
Rest of World	11.6	10.1	9.5	9.1	9.0	9.0
World Total	123.6	110.3	119.0	114.6	110.0	109.7

Source: USDA

World Cotton Imports

Millions of 480 lb. Bales	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
China	11.5	7.0	10.9	12.0	16.0	17.0
Bangladesh	3.6	3.8	3.9	3.7	3.2	3.3
Turkey	3.3	2.9	4.4	3.4	2.5	2.5
Indonesia	2.6	2.3	2.2	2.1	2.0	2.0
Vietnam	1.2	1.3	1.7	1.6	1.5	1.5
Thailand	1.9	1.6	1.8	1.8	1.4	1.3
Pakistan	3.9	1.9	1.6	1.5	1.3	1.2
South Korea	1.0	1.0	1.0	1.0	1.1	1.1
Mexico	1.5	1.3	1.4	1.2	1.1	1.0
Taiwan	1.0	0.8	1.0	0.8	0.9	0.9
Russia	1.1	0.9	0.8	0.5	0.6	0.6
Egypt	0.4	0.4	0.6	0.6	0.5	0.5
Malaysia	0.2	0.2	0.3	0.3	0.3	0.5
India	0.6	0.8	0.5	0.5	0.5	0.5
Japan	0.6	0.4	0.3	0.4	0.3	0.4
Rest of World	5.0	3.8	4.0	4.5	3.6	3.4
World Total	39.3	30.5	36.3	35.7	36.5	37.4

Source: USDA

[return to text](#)

U.S. Cotton Balance Sheet

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
Beginning Stocks	2.1	2.2	1.4	0.6	0.6	0.6
Production	4.2	2.8	2.7	3.9	3.4	3.4
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	6.2	5.0	4.0	4.6	4.0	4.0
U.S. Mill Use	1.0	0.8	0.8	0.8	0.8	0.8
Exports	3.0	2.9	2.6	3.1	2.4	2.4
Demand	4.0	3.7	3.4	4.0	3.2	3.2
Ending Stocks	2.2	1.4	0.6	0.6	0.8	0.8
Stocks/Use Ratio	55.2%	37.7%	18.9%	14.2%	25.3%	26.2%

Source: USDA

China Cotton Balance Sheet

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
Beginning Stocks	4.5	4.5	4.9	3.3	2.5	2.5
Production	8.1	8.0	7.0	6.6	7.3	7.3
Imports	2.5	1.5	2.4	2.6	3.5	3.7
Supply	15.0	14.0	14.2	12.6	13.3	13.5
China Mill Use	11.1	9.6	10.9	10.0	9.6	9.6
Exports	0.0	0.0	0.0	0.0	0.0	0.0
Demand	11.1	9.6	10.9	10.0	9.6	9.6
Ending Stocks	4.5	4.9	3.3	2.5	3.7	3.9
Stocks/Use Ratio	40.2%	50.7%	30.5%	25.2%	38.7%	41.0%

Source: USDA

World Cotton Balance Sheet

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
Beginning Stocks	13.6	13.3	13.2	9.9	9.9	10.2
Production	26.1	23.4	22.3	25.4	26.7	26.9
Supply	39.7	36.7	35.6	35.2	36.6	37.1
Consumption	26.9	24.0	25.9	25.0	23.9	23.9
Ending Stocks	13.3	13.2	9.9	10.2	12.7	13.2
Stocks/Use Ratio	49.3%	55.1%	38.1%	41.0%	53.1%	55.4%

Source: USDA

[return to text](#)

World Cotton Production

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
China	8.1	8.0	7.0	6.6	7.3	7.3
India	5.2	4.9	5.2	5.7	5.9	5.9
United States	4.2	2.8	2.7	3.9	3.4	3.4
Pakistan	1.9	1.9	2.1	1.9	2.2	2.3
Brazil	1.6	1.2	1.2	2.0	2.0	2.0
Australia	0.1	0.3	0.4	0.9	1.1	1.1
Uzbekistan	1.2	1.0	0.8	0.9	0.9	0.9
Turkey	0.7	0.4	0.4	0.5	0.7	0.7
EU-27	0.4	0.3	0.2	0.2	0.4	0.4
African Franc Zone	0.5	0.5	0.5	0.5	0.3	0.3
Turkmenistan	0.3	0.3	0.3	0.4	0.3	0.3
Greece	0.3	0.3	0.2	0.2	0.3	0.3
Argentina	0.2	0.1	0.2	0.3	0.3	0.3
Mexico	0.1	0.1	0.1	0.2	0.3	0.3
Syria	0.2	0.2	0.2	0.2	0.2	0.2
Rest of World	1.5	1.3	1.1	1.2	1.7	1.7
World Total	26.1	23.4	22.3	25.4	26.7	26.9

Source: USDA

World Cotton Exports

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
United States	3.0	2.9	2.6	3.1	2.4	2.4
India	1.6	0.5	1.4	1.1	1.3	1.4
Australia	0.3	0.3	0.5	0.5	0.9	0.9
Brazil	0.5	0.6	0.4	0.4	0.8	0.8
Uzbekistan	0.9	0.7	0.8	0.6	0.6	0.6
EU-27	0.4	0.2	0.2	0.2	0.3	0.3
African Franc Zone	0.4	0.3	0.3	0.3	0.3	0.3
Greece	0.3	0.2	0.2	0.2	0.2	0.2
Turkmenistan	0.2	0.2	0.3	0.2	0.2	0.2
Burkina	0.2	0.2	0.2	0.1	0.1	0.1
Mali	0.1	0.1	0.1	0.1	0.1	0.1
Pakistan	0.1	0.1	0.2	0.1	0.1	0.1
Tajikistan	0.1	0.1	0.1	0.1	0.1	0.1
Zimbabwe	0.1	0.1	0.1	0.1	0.1	0.1
Argentina	0.0	0.0	0.0	0.1	0.1	0.1
Rest of World	1.1	0.8	0.8	0.9	0.8	0.9
World Total	8.5	6.6	7.7	7.8	8.0	8.1

Source: USDA

[return to text](#)

World Cotton Consumption

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
China	11.1	9.6	10.9	10.0	9.6	9.6
India	4.0	3.9	4.3	4.6	4.2	4.2
Pakistan	2.6	2.4	2.4	2.2	2.2	2.2
Turkey	1.3	1.1	1.3	1.2	1.2	1.2
Brazil	1.0	0.9	1.0	0.9	0.9	0.9
United States	1.0	0.8	0.8	0.8	0.8	0.8
Bangladesh	0.8	0.8	0.8	0.8	0.7	0.7
Indonesia	0.5	0.5	0.5	0.4	0.4	0.4
Mexico	0.4	0.4	0.4	0.4	0.4	0.4
Vietnam	0.3	0.3	0.3	0.4	0.3	0.3
Thailand	0.4	0.3	0.4	0.4	0.3	0.3
Uzbekistan	0.2	0.2	0.2	0.3	0.3	0.3
South Korea	0.2	0.2	0.2	0.2	0.2	0.2
Taiwan	0.2	0.2	0.2	0.2	0.2	0.2
Argentina	0.2	0.2	0.2	0.2	0.2	0.2
Rest of World	2.5	2.2	2.1	2.0	2.0	2.0
World Total	26.9	24.0	25.9	25.0	23.9	23.9

Source: USDA

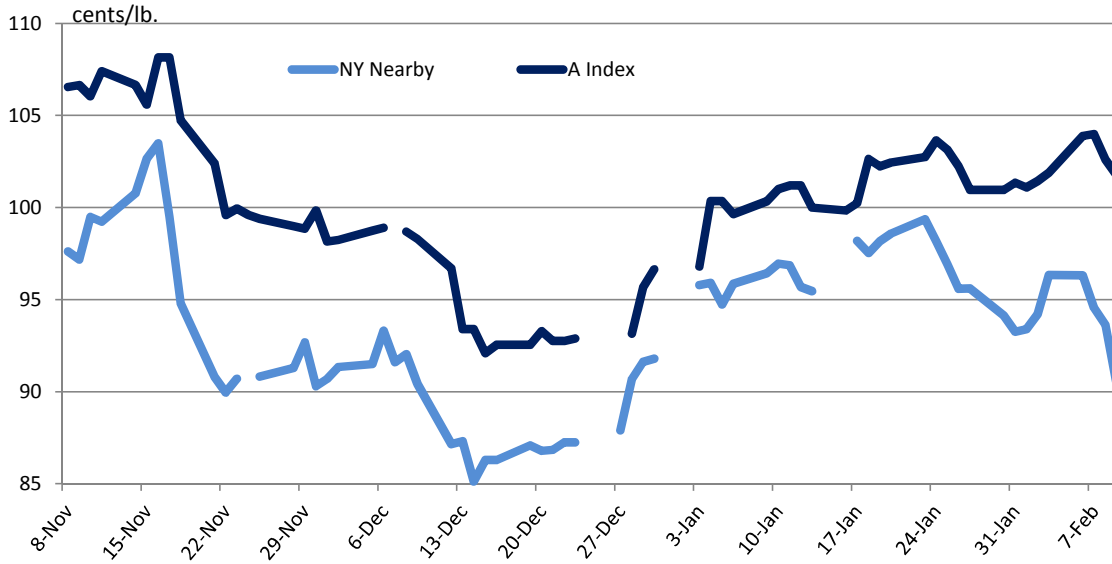
World Cotton Imports

Millions of Metric Tons	2007/08	2008/09	2009/10	2010/11	2011/12 January	2011/12 February
China	2.5	1.5	2.4	2.6	3.5	3.7
Bangladesh	0.8	0.8	0.8	0.8	0.7	0.7
Turkey	0.7	0.6	1.0	0.7	0.5	0.5
Indonesia	0.6	0.5	0.5	0.5	0.4	0.4
Vietnam	0.3	0.3	0.4	0.4	0.3	0.3
Thailand	0.4	0.3	0.4	0.4	0.3	0.3
Pakistan	0.9	0.4	0.3	0.3	0.3	0.3
South Korea	0.2	0.2	0.2	0.2	0.2	0.2
Mexico	0.3	0.3	0.3	0.3	0.2	0.2
Taiwan	0.2	0.2	0.2	0.2	0.2	0.2
Russia	0.2	0.2	0.2	0.1	0.1	0.1
Egypt	0.1	0.1	0.1	0.1	0.1	0.1
Malaysia	0.0	0.0	0.1	0.1	0.1	0.1
India	0.1	0.2	0.1	0.1	0.1	0.1
Japan	0.1	0.1	0.1	0.1	0.1	0.1
Rest of World	1.1	0.8	0.9	1.0	0.8	0.8
World Total	8.6	6.6	7.9	7.8	7.9	8.1

Source: USDA

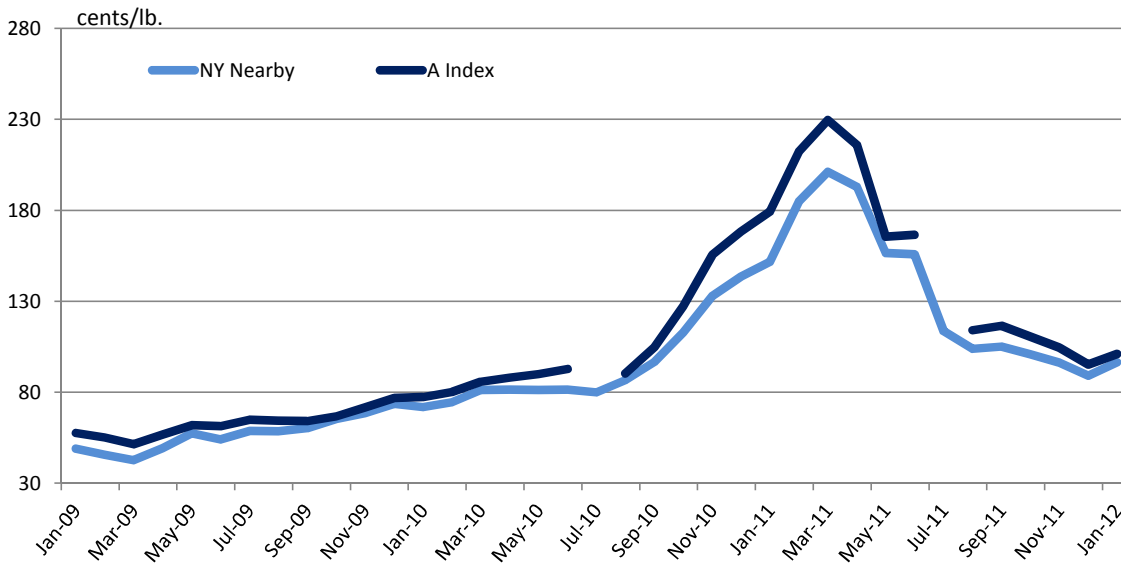
[return to text](#)

Daily NY Nearby and A Index Prices: Last Three Months



Note: Values for the A Index were unavailable from June 10, 2011 to August 1, 2011.

Monthly NY Nearby and A Index Prices: Last Three Years



Note: Values for the A Index were unavailable from June 23, 2010 to August 1, 2010 and again from June 10, 2011 to August 1, 2011.

[return to text](#)