

# 22<sup>nd</sup> Annual Textile & Apparel Importer Trade & Transportation Conference

*New Issues for Global Sourcing:  
Cotton and Sustainability*



November 16, 2010  
Cotton Incorporated  
Mark Messura

## **Key Questions**

- ***Why are cotton prices at their current levels?***
- ***Where is the market likely to go in the next 14-20 months?***



# Current Price Levels

Cents per pound

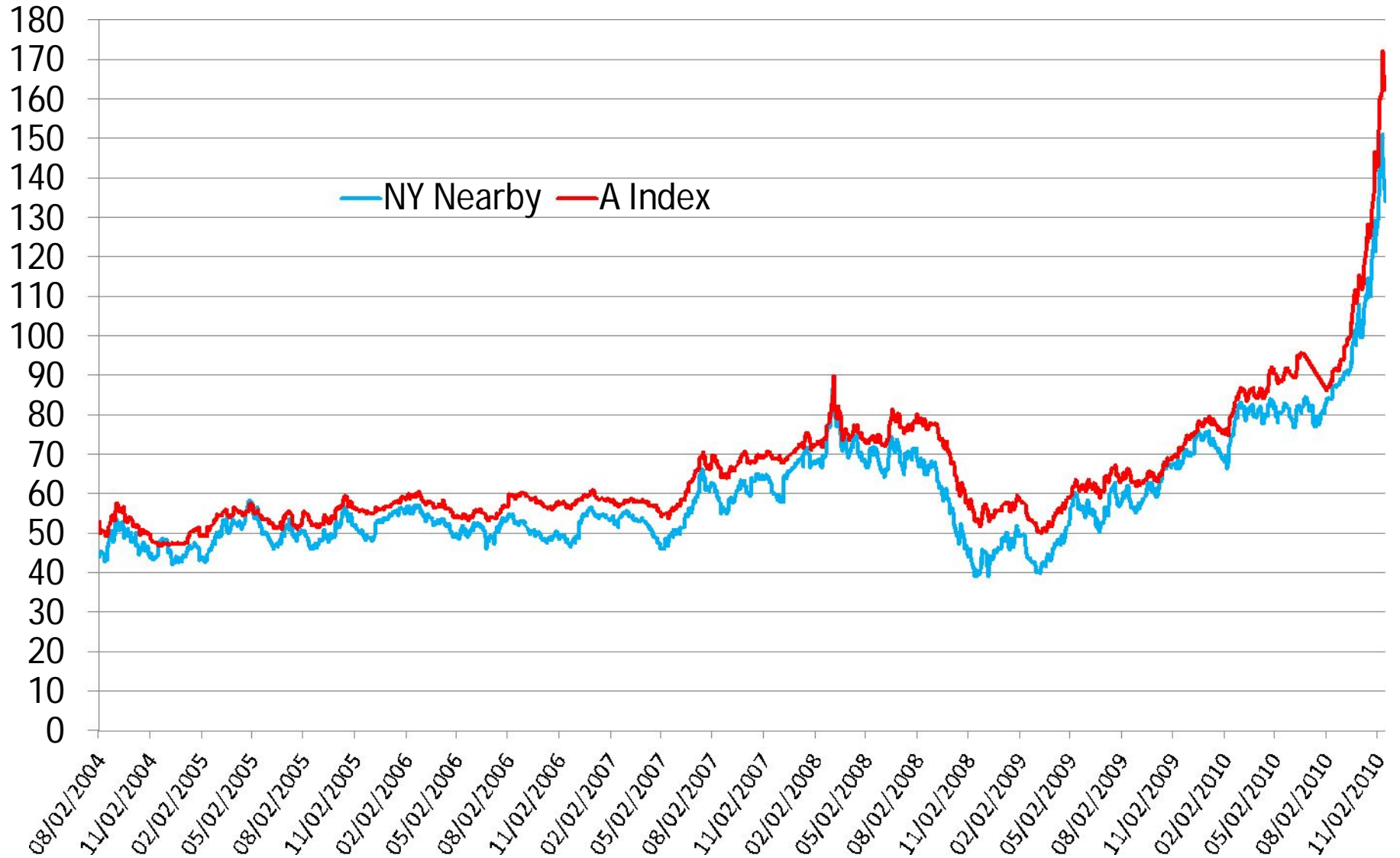
<i>World Price</i>	<b>'A' Index</b>	<b>162.60</b>
<i>U.S. Price</i>	<b>Ice Futures</b>	<b>134.20</b>

Sources: November 16, 2010 Cotlook, Ltd. and ICE Futures (March 2011)

# Daily Cotton Prices

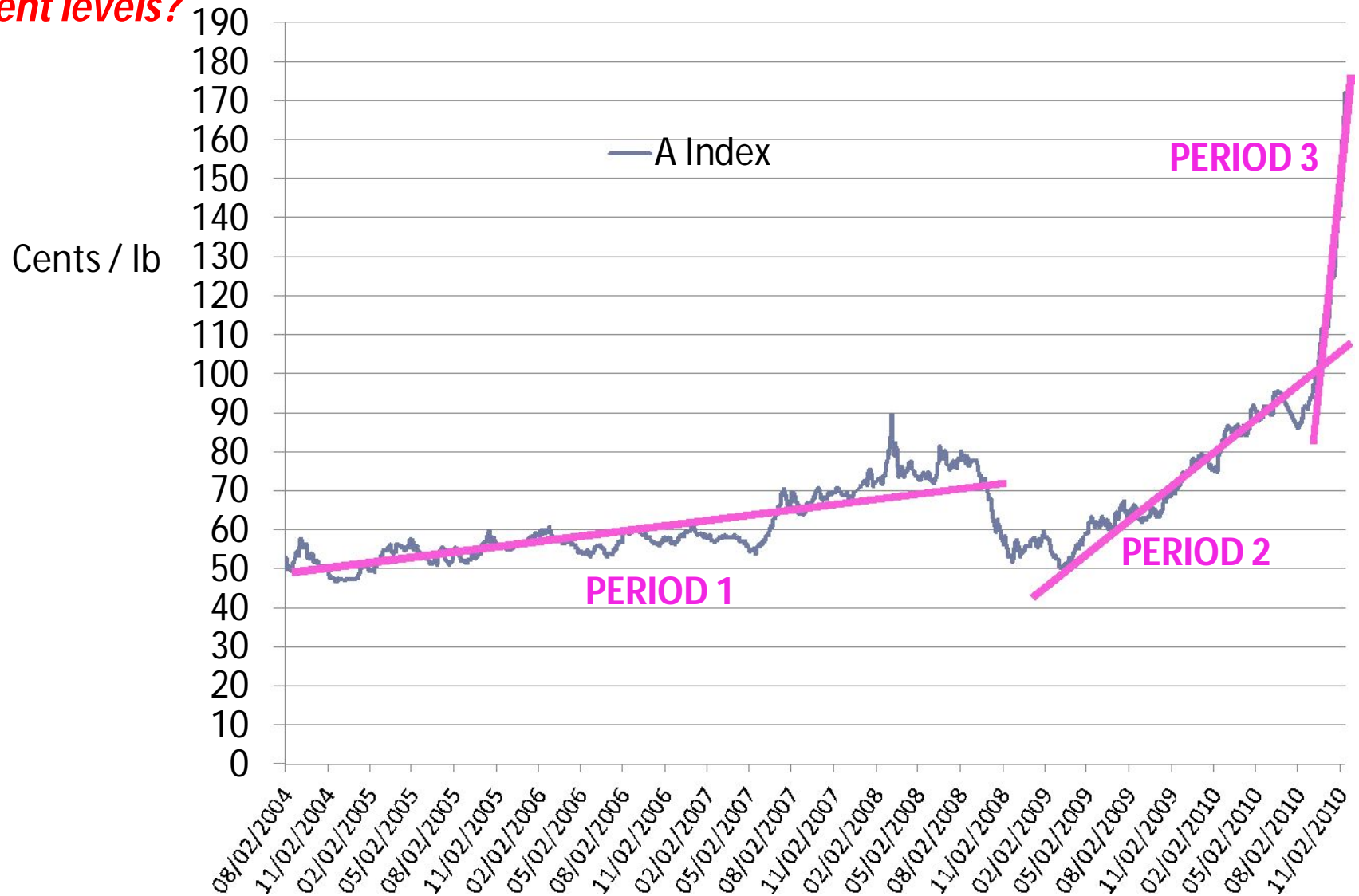
August 2, 2004 – November 15, 2010

Cents / lb



**Why are cotton prices at their current levels?**

## Daily Cotton Prices



*Why are cotton prices at their current levels?*

## Cotton Fundamentals

### World Cotton Balance Sheet

(millions of bales)

	2007/08	2008/09	2009/10	2010/11
Beginning Stocks	62.2	60.7	60.5	43.6
Production	119.7	107.1	101.3	115.2
Mill Consumption	123.3	109.9	118.5	116.8
Ending Stocks	60.7	60.5	43.6	42.2
Stocks/Use Ratio	49.2%	55.0%	36.8%	36.1%

USDA, November 2010

*Why are cotton prices at their current levels?*

## Cotton Fundamentals

### World Cotton Balance Sheet

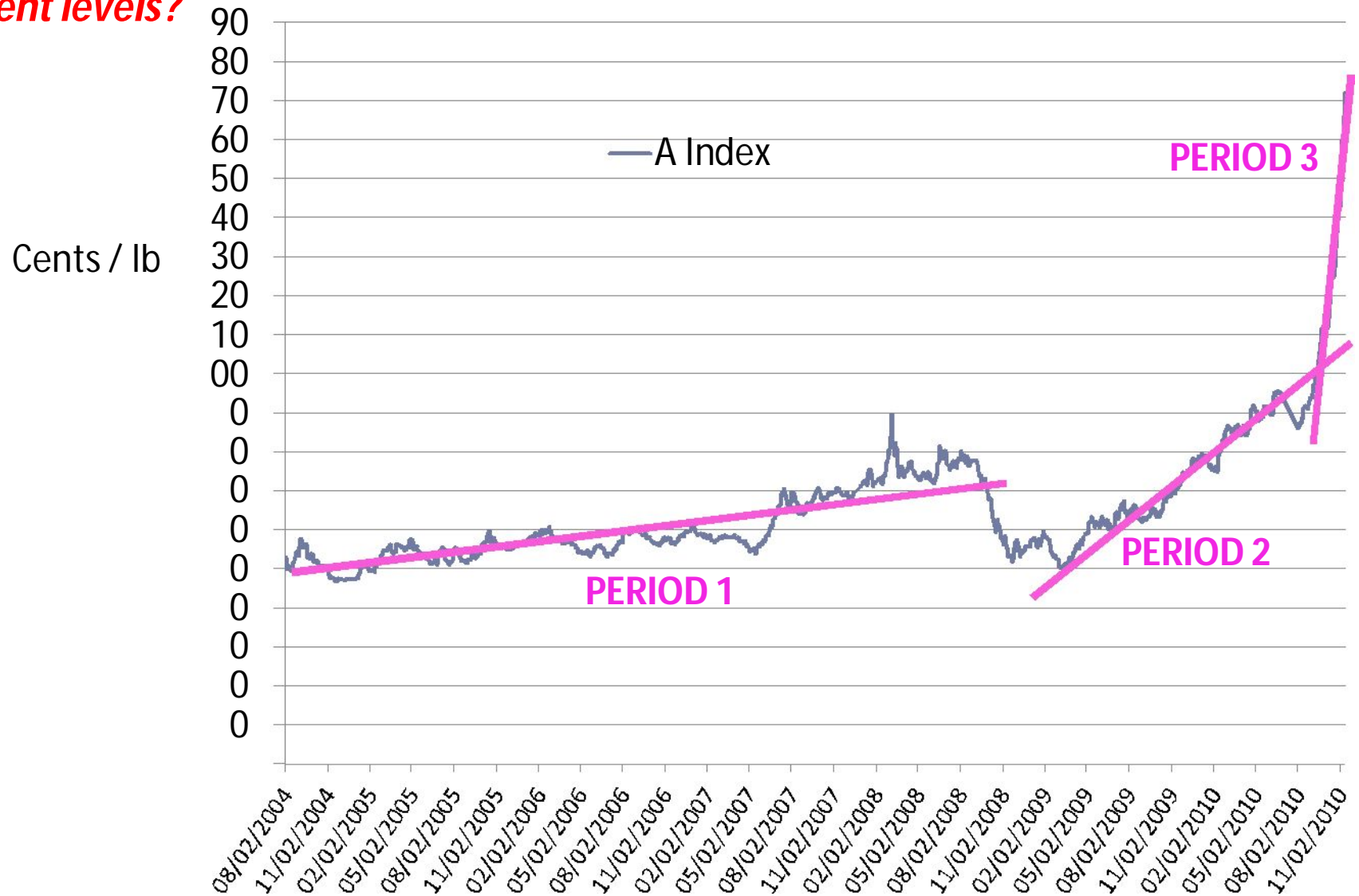
(millions of bales)

	2007/08	2008/09	2009/10	2010/11
Beginning Stocks	62.2	60.7	60.5	43.6
Production	119.7	<b>107.1</b>	<b>101.3</b>	115.2
Mill Consumption	123.3	109.9	<b>118.5</b>	116.8
Ending Stocks	60.7	60.5	43.6	42.2
Stocks/Use Ratio	49.2%	55.0%	36.8%	36.1%

USDA, November 2010

**Why are cotton prices at their current levels?**

## Daily Cotton Prices



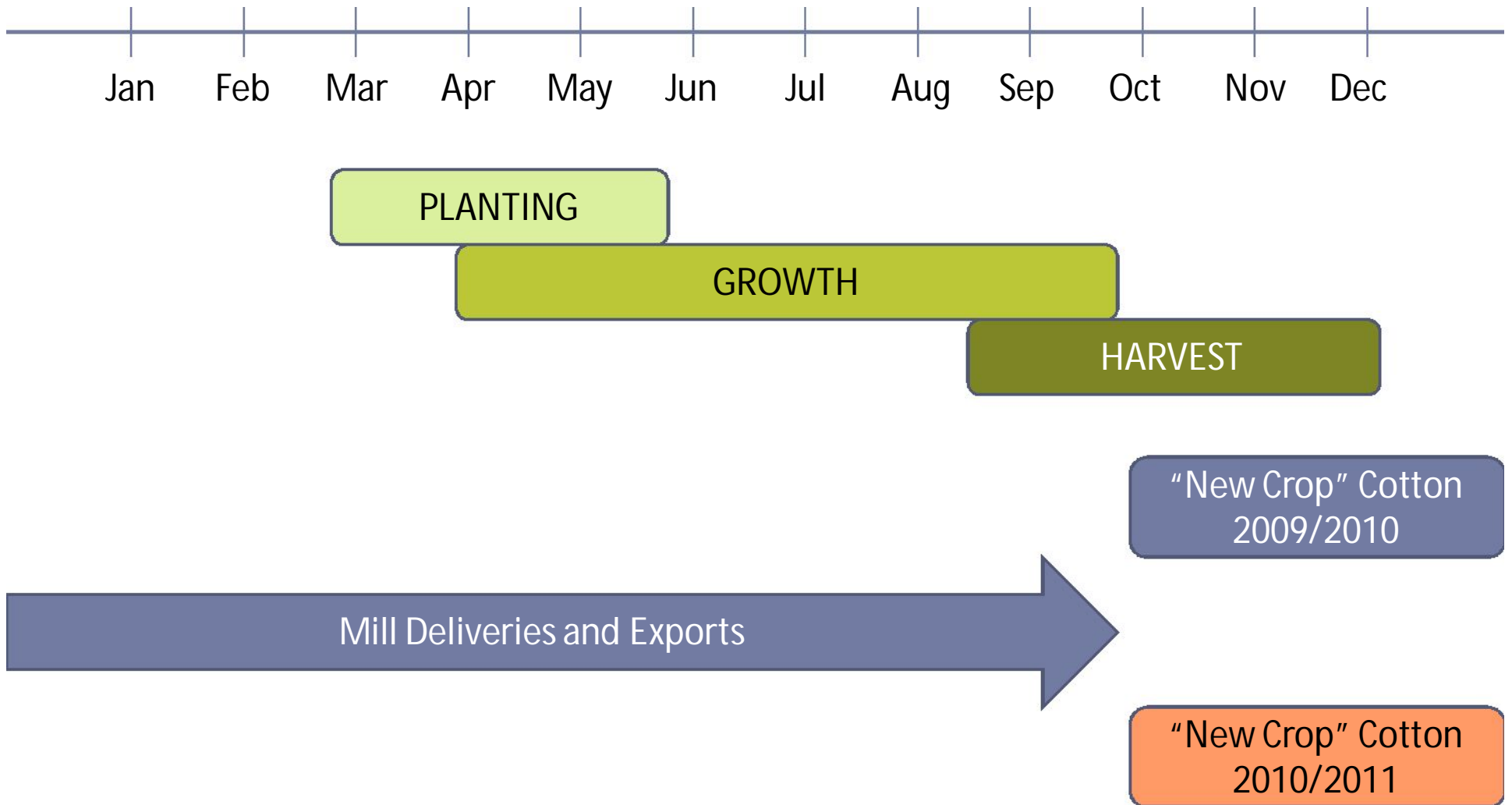
## *Period 2*

1. India restricts cotton fiber and yarn exports
2. Distribution problems with Chinese cotton
3. Supplies run short between crop years as world demand remains strong

*Why are cotton prices at their current levels?*

# The Cotton Calendar

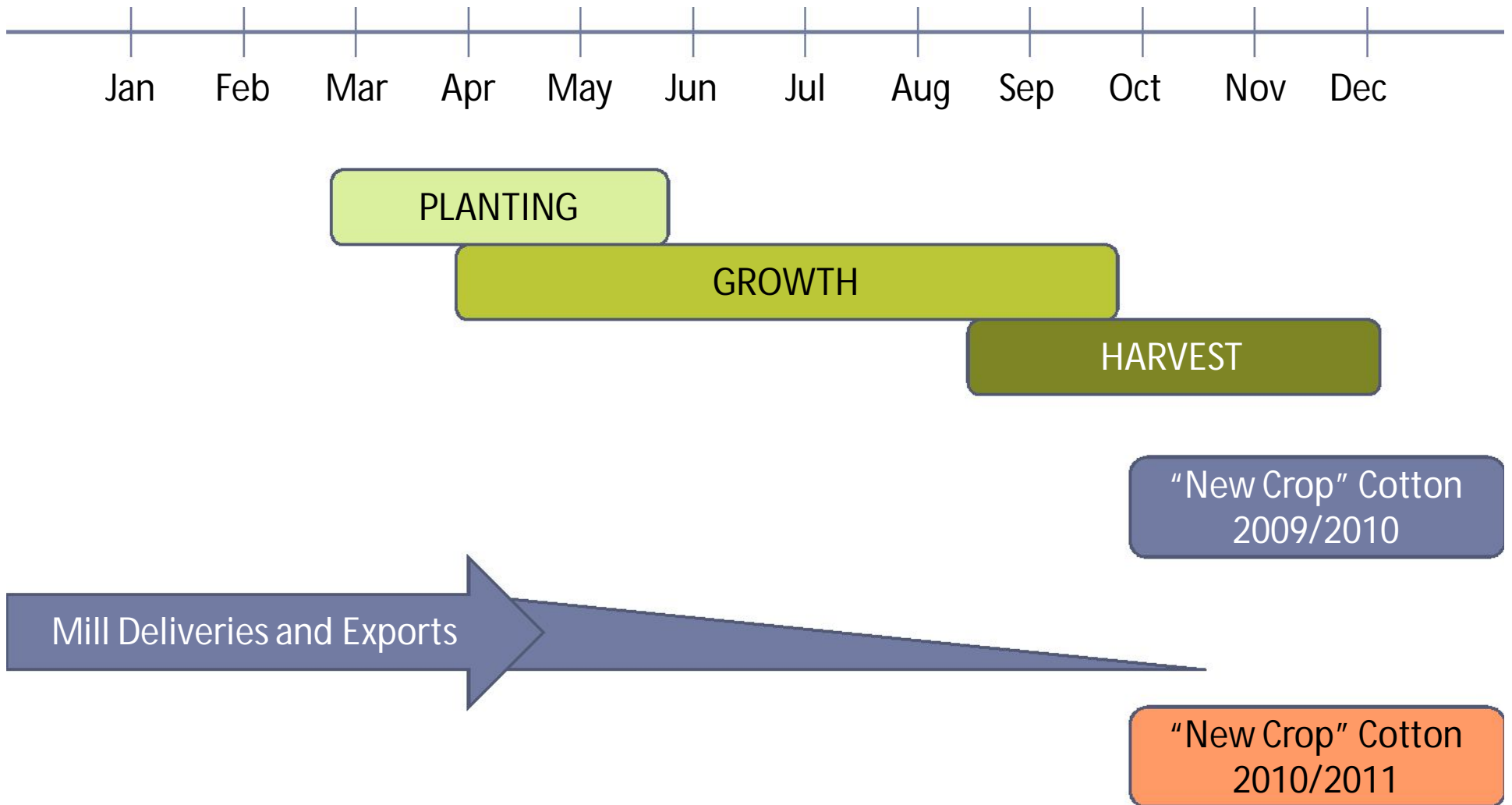
Northern Hemisphere



*Why are cotton prices at their current levels?*

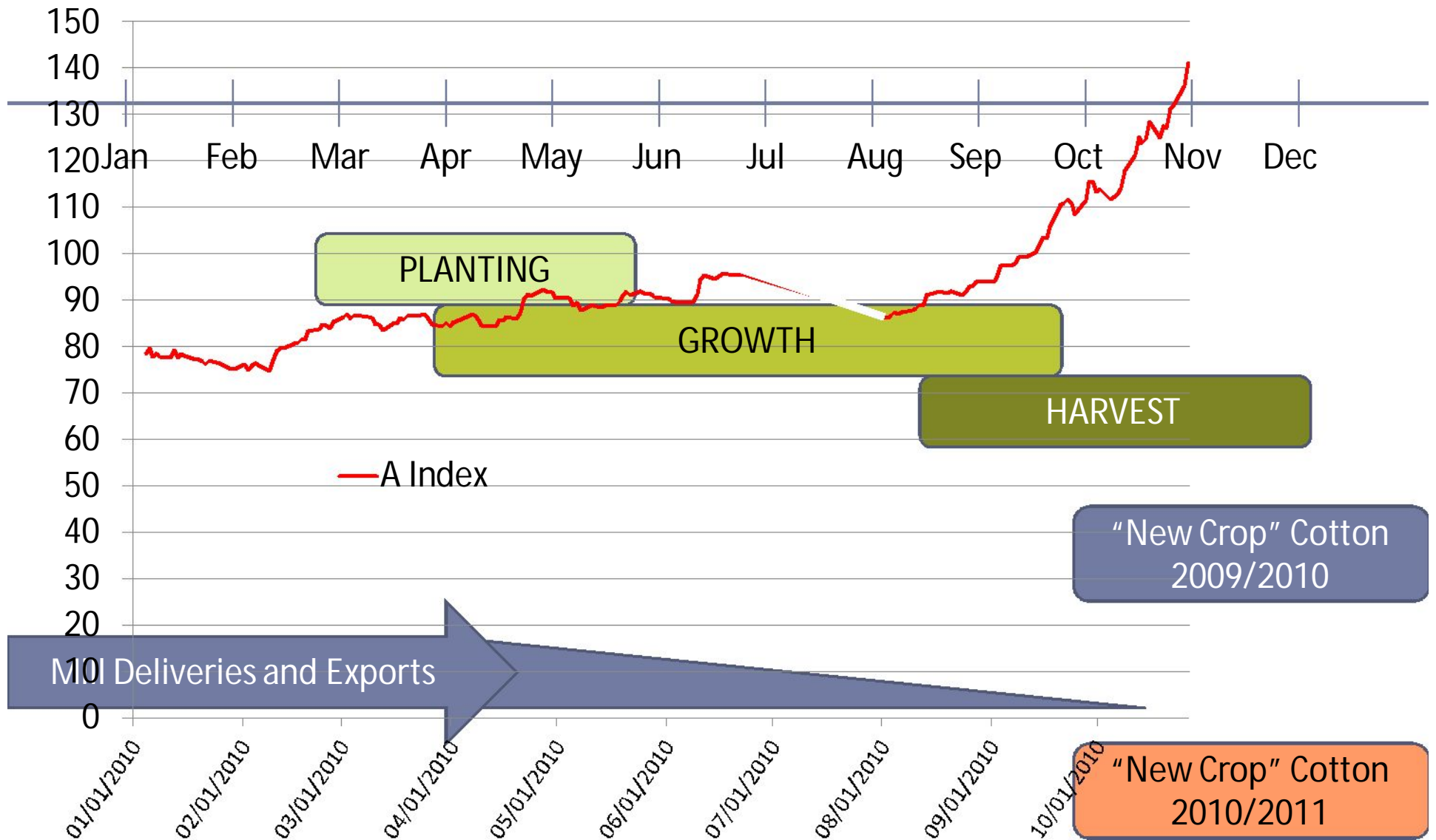
# The Cotton Calendar

Northern Hemisphere



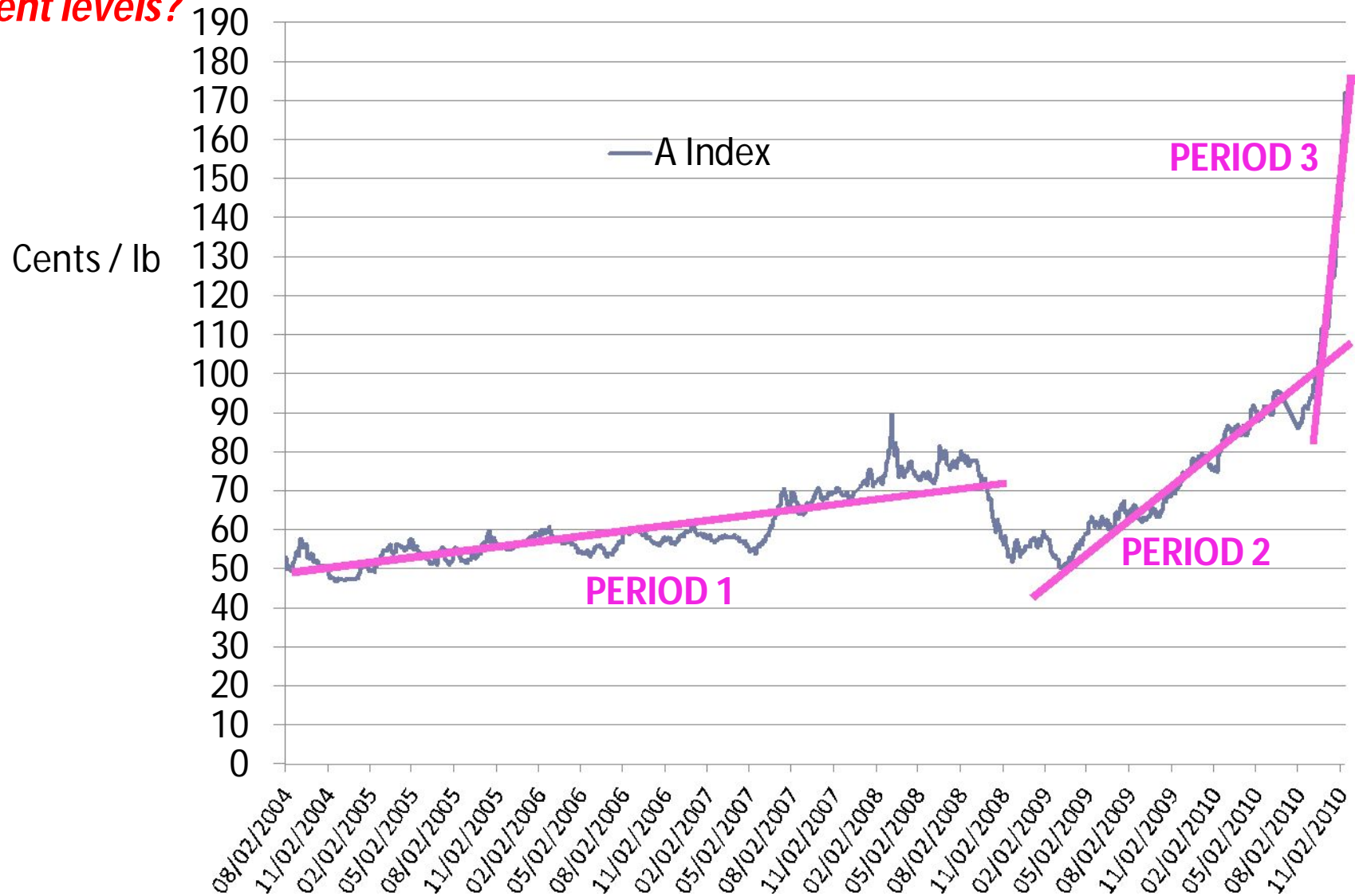
**Why are cotton prices at their current levels?**

## The Cotton Calendar Northern Hemisphere



**Why are cotton prices at their current levels?**

## Daily Cotton Prices

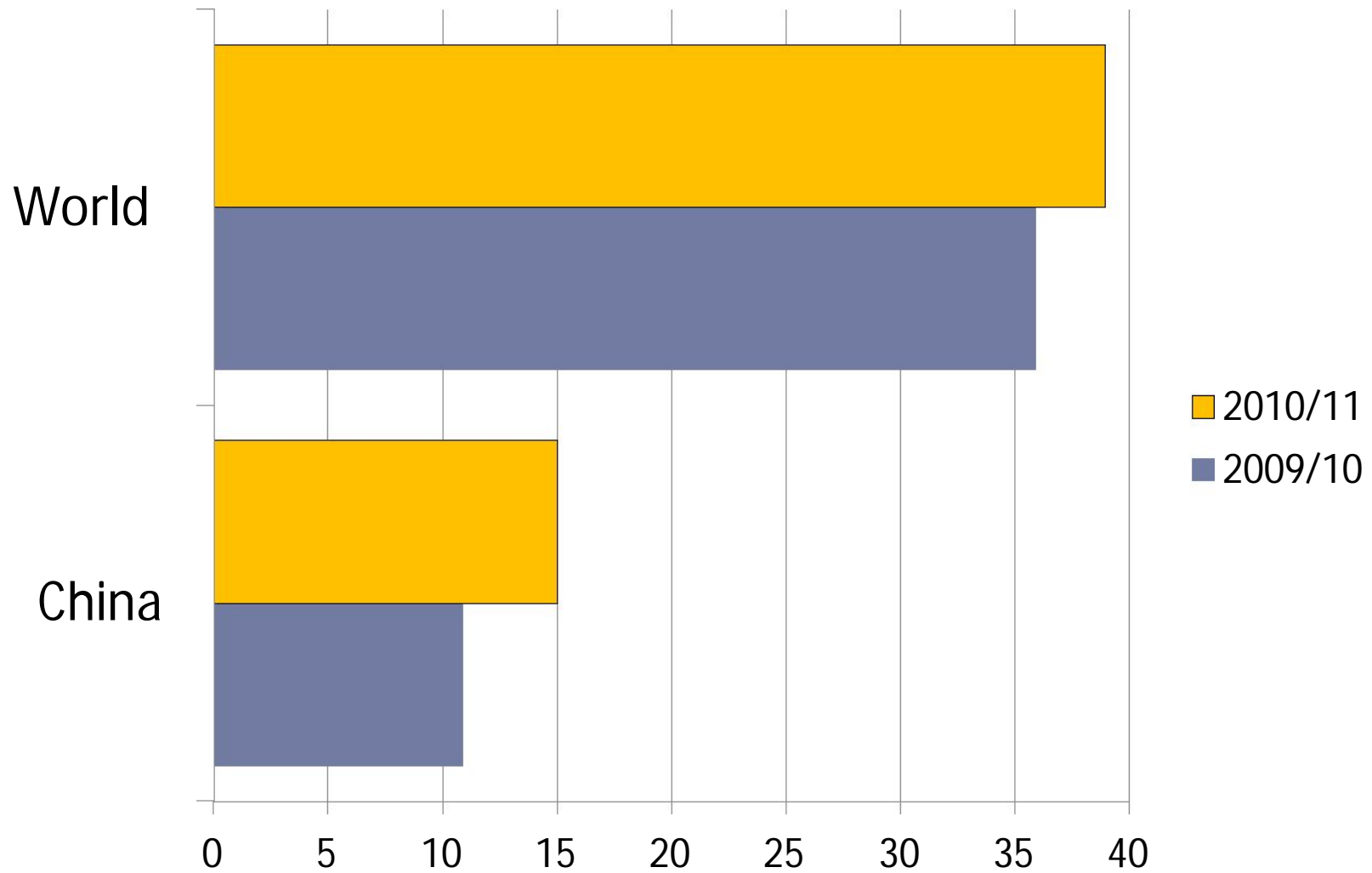


## *Period 3*

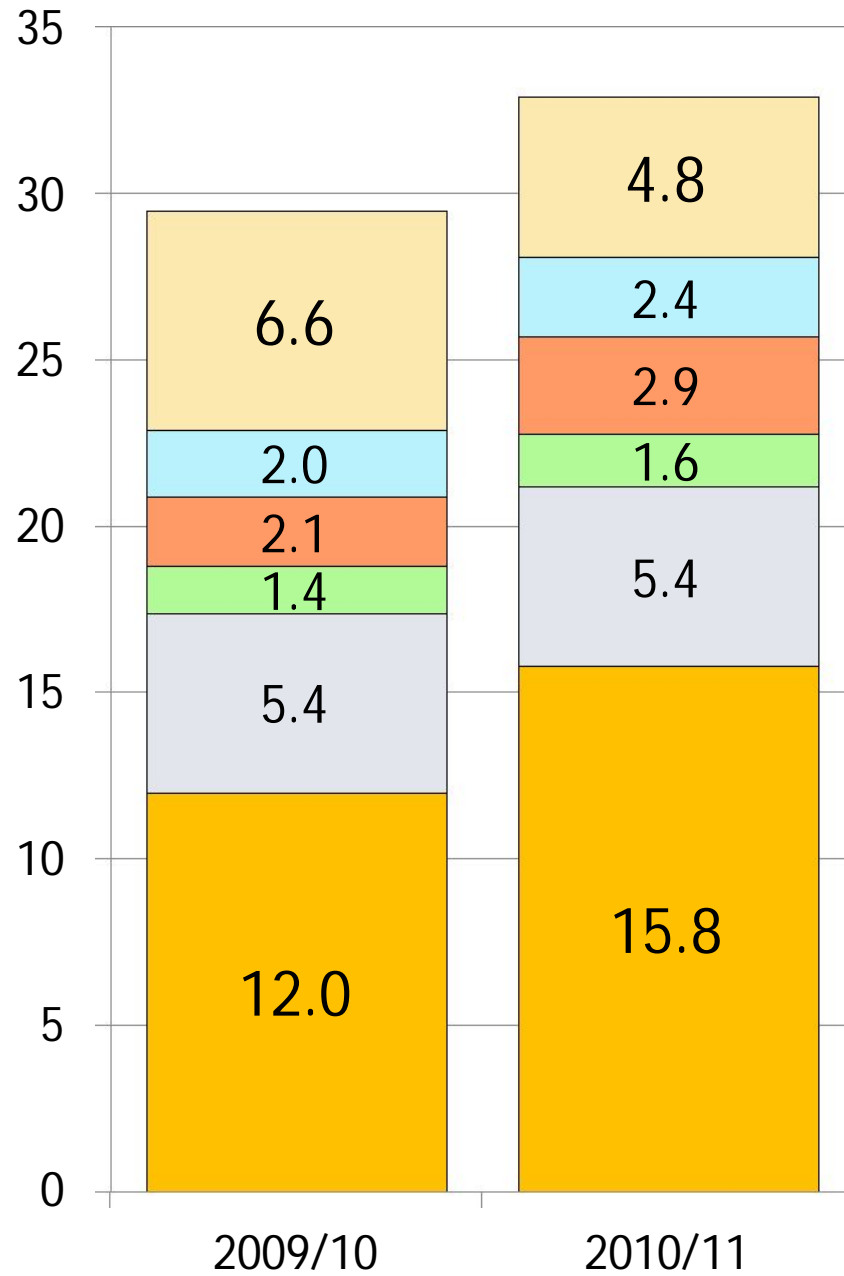
1. India continues restrictions on cotton fiber and yarn exports
2. Estimates of Chinese cotton production getting smaller – China needs to import more cotton
3. Investor attention in the cotton market

*Why are cotton prices at their current levels?*

# Cotton Imports



*Why are cotton prices at their current levels?*



## Major Cotton Exporters

- India
- Brazil
- Australia
- AFZ
- Central Asia
- USA

*Why are cotton  
prices at their  
current levels?*

## Early-season U.S. export sales

More than 80% of U.S. Exports  
are already sold

More than 5 times the rate sales  
a year ago

## *Key Questions*

- *Why are cotton prices at their current levels?*
- *Where is the market likely to go in the next 14-20 months?*



*Why are cotton prices at their current levels?*

## Cotton Fundamentals

### World Cotton Balance Sheet

(millions of bales)

	2008/09	2009/10	2010/11	2011/2012
Beginning Stocks	60.7	60.5	43.6	42.2
Production	107.1	101.3	115.2	122.1
Mill Consumption	109.9	118.5	116.8	120.3
Ending Stocks	60.5	43.6	42.2	44.0
Stocks/Use Ratio	55.0%	36.8%	36.1%	36.6%

USDA, November 2010

***Where is the market likely to go in the months ahead?***

	Contract Month	Settlement Nov 15
2010/2011	10-Dec	<b>138.75</b>
	11-Mar	<b>134.20</b>
	11-May	<b>129.80</b>
	11-Jul	<b>124.94</b>
2011/2012	11-Oct	<b>111.59</b>
	11-Dec	<b>91.45</b>
2012/2013	12-Dec	<b>82.40</b>

Source: ICE Futures November 15, 2010

***Where is the market likely to go in the months ahead?***

	Contract Month	Settlement Nov 15	Settlement Nov 8	
2010/2011	10-Dec	138.75	146.23	<b>-7.48</b>
	11-Mar	134.20	142.11	<b>-7.91</b>
	11-May	129.80	138.54	<b>-8.74</b>
	11-Jul	124.94	134.80	<b>-9.86</b>
2011/2012	11-Oct	111.59	118.49	<b>-6.90</b>
	11-Dec	91.45	97.05	<b>-5.60</b>
2012/2013	12-Dec	82.40	86.37	<b>-3.97</b>

Source: ICE Futures November 15, 2010

# 22<sup>nd</sup> Annual Textile & Apparel Importer Trade & Transportation Conference

*New Issues for Global Sourcing:  
Cotton and Sustainability*



November 16, 2010  
Cotton Incorporated  
Mark Messura