

# Cotton Economic Update

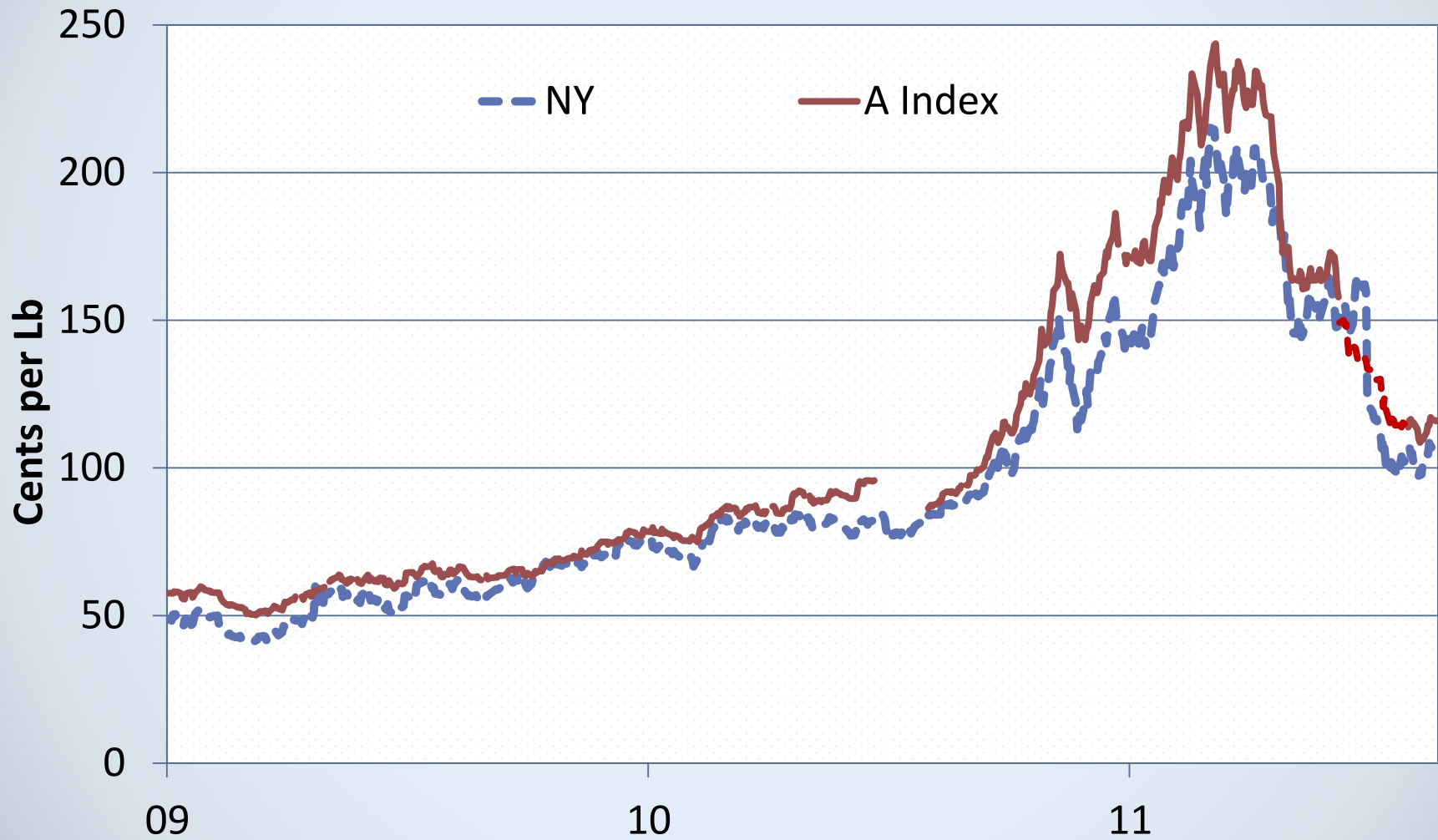
NCC Mid-Year Board of Directors Meeting

Santa Fe, New Mexico

August 25, 2011



# Nearby NY and "A" Index



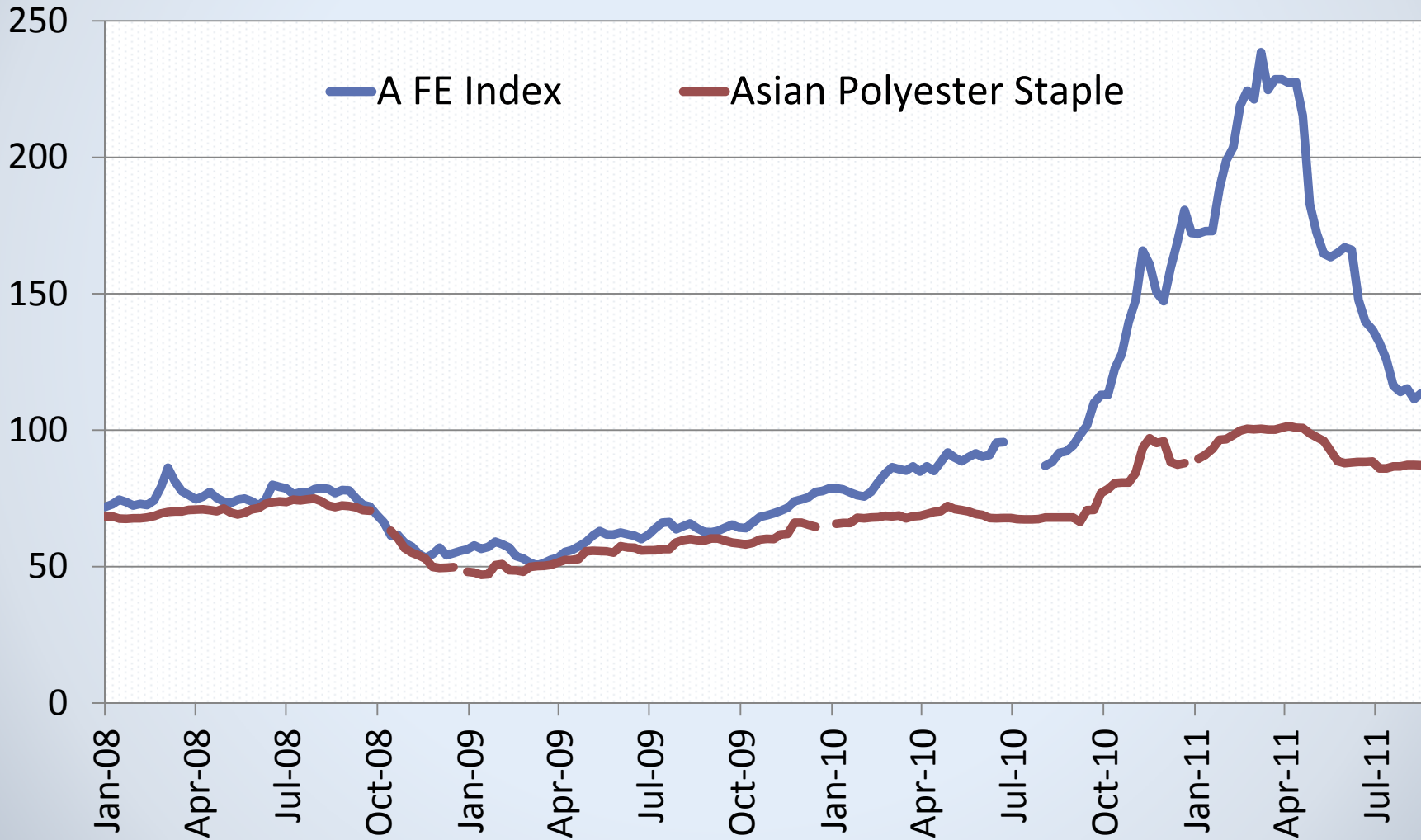
# Cotton Demand

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# Fiber Prices

Cents per Pound

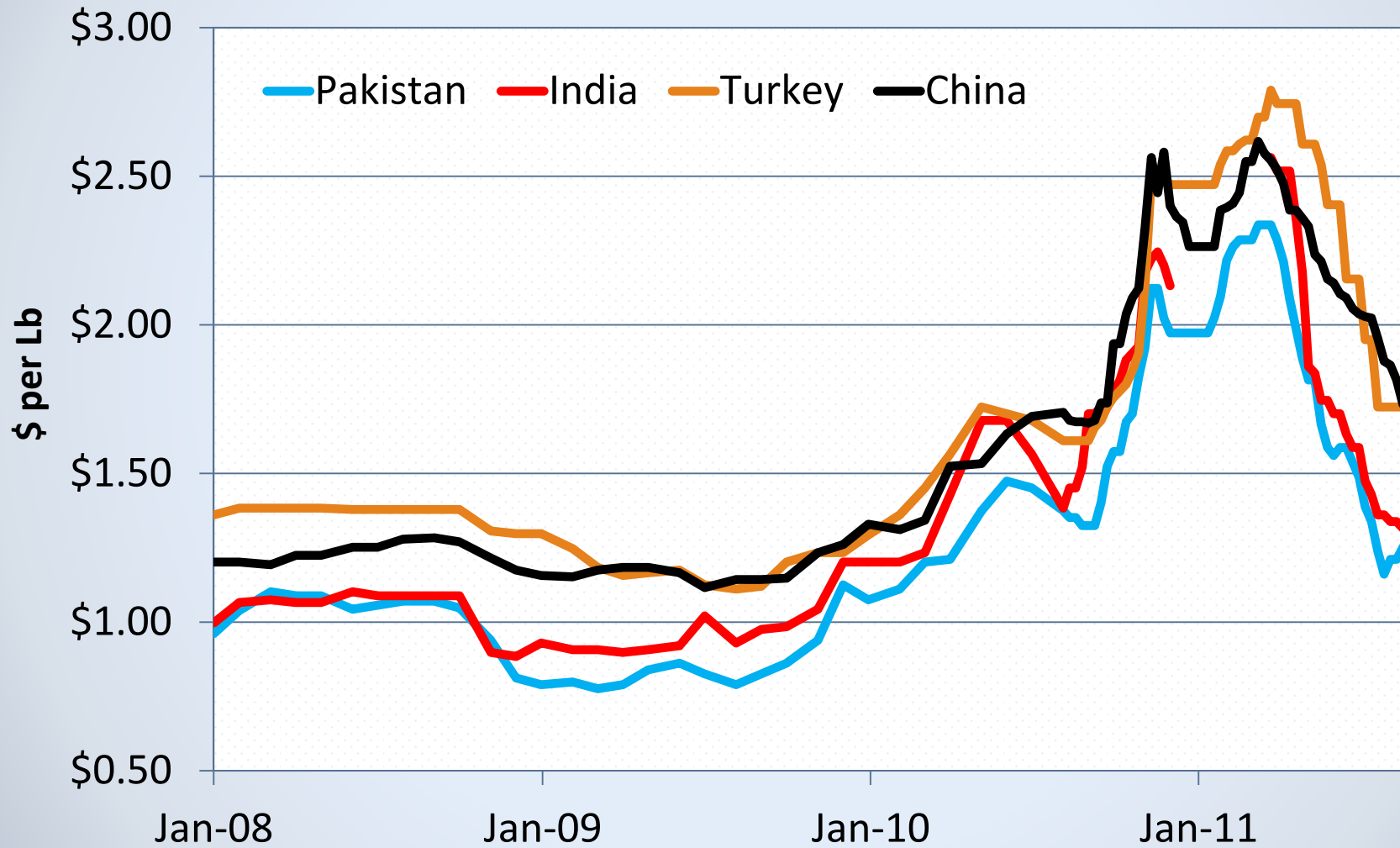


# US Cotton Product Imports

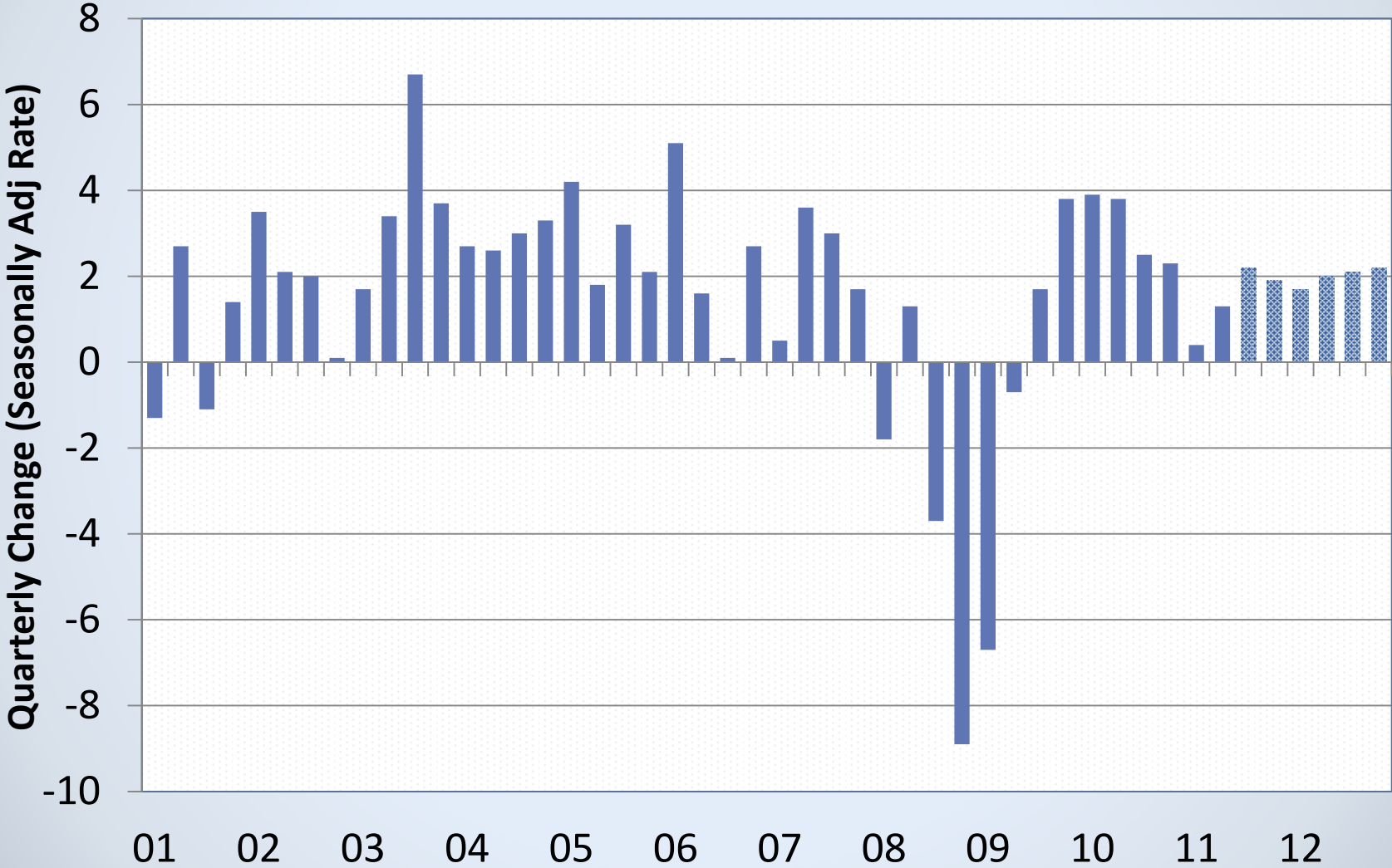
% Change in Volume

	<b>2010</b>	<b>'11 YTD</b>
All Cotton Products	13%	-8%
Cotton Apparel	14%	-4%
Cotton Non-apparel Items	12%	-16%

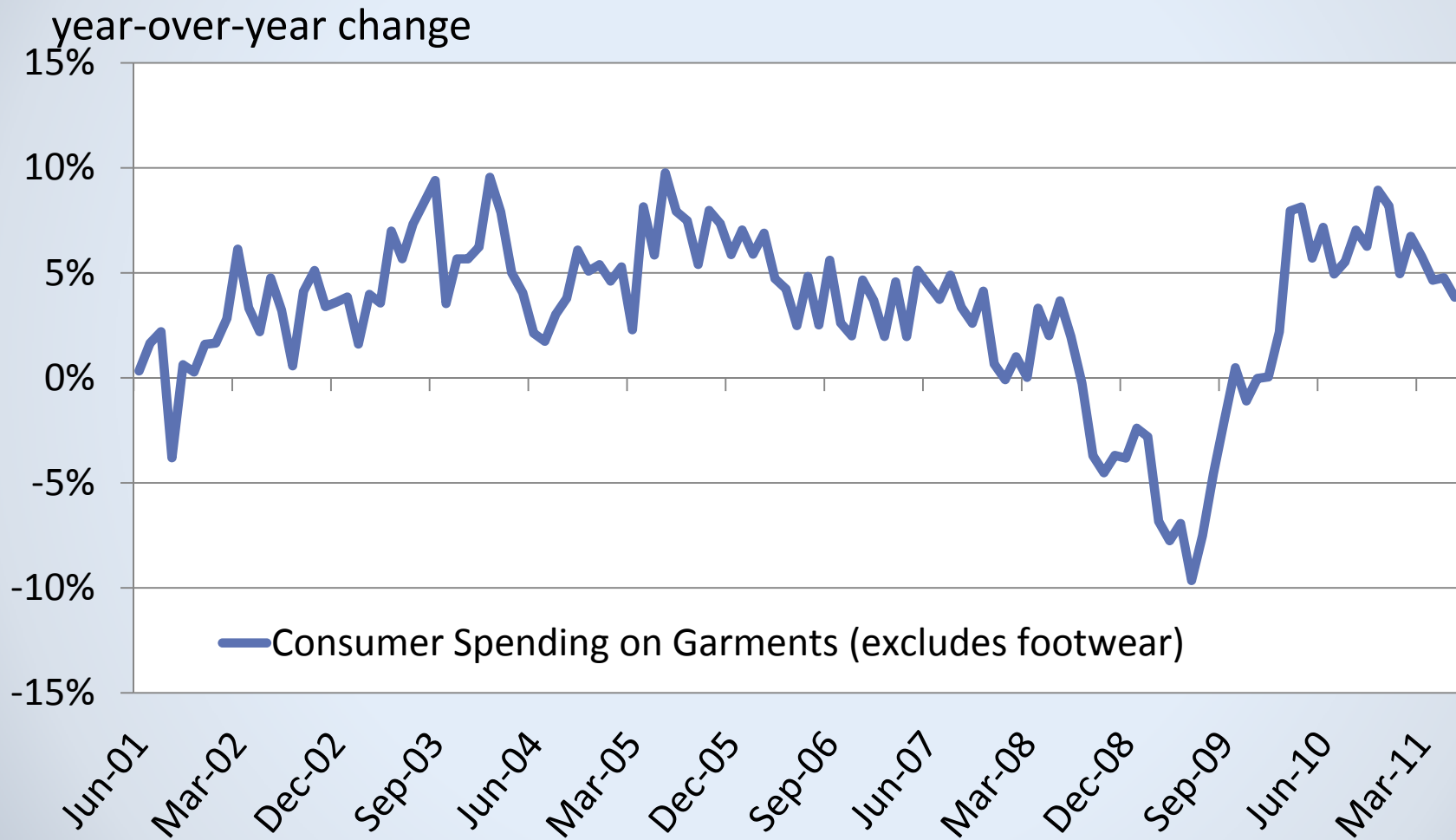
# Yarn Export Values



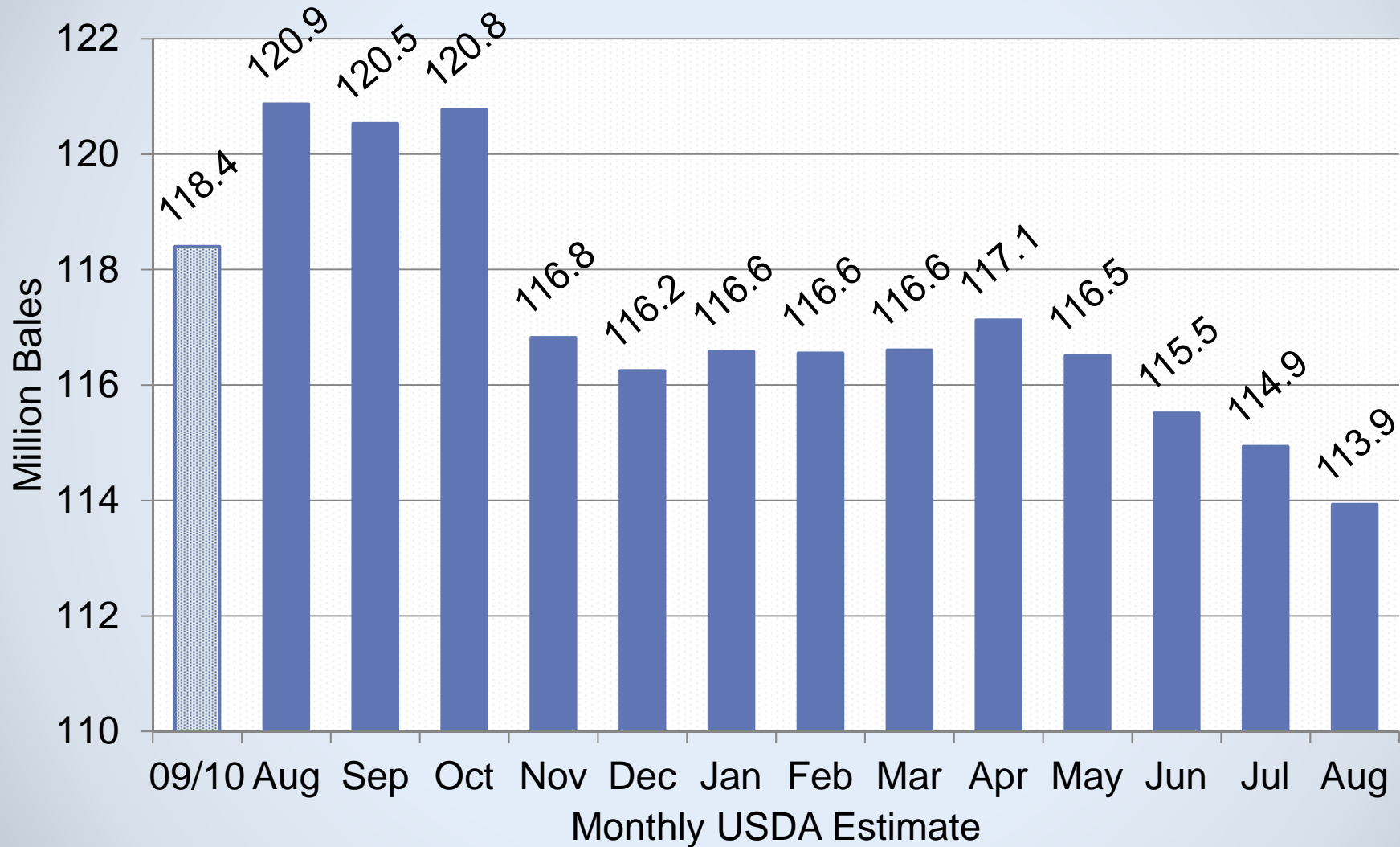
# US Real GDP



# Growth in US Apparel Spending



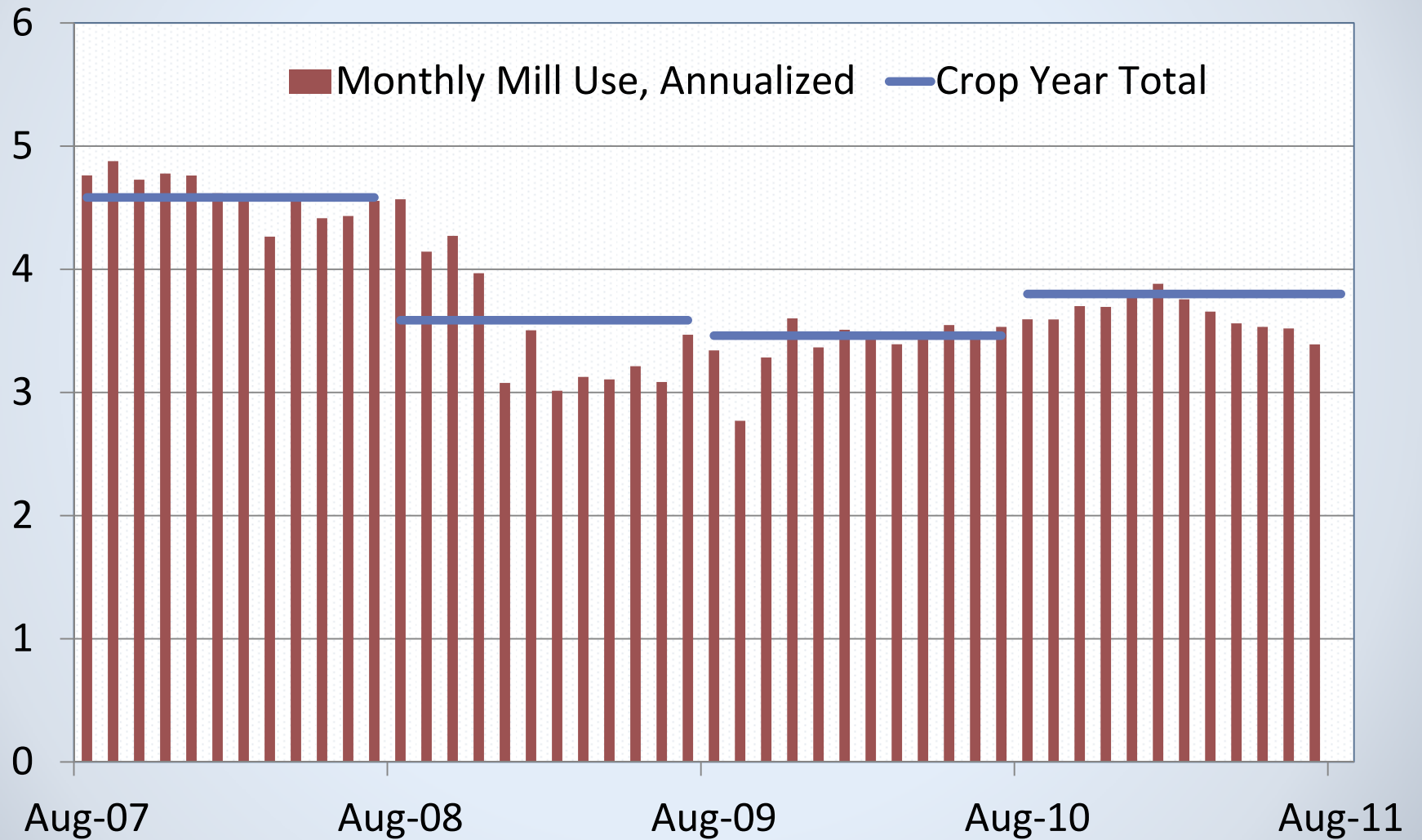
# World Mill Use in '10/11



Source: USDA's Monthly WASDE

# US Cotton Mill Use

Million 480-Lb. Bales



# US Balance Sheet

## Million Bales

	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>
Production	12.82	12.19	18.10
Mill Use	3.59	3.46	3.80
Exports	13.26	12.04	14.40
Stocks	6.34	2.95	2.85
Stocks/Use	37.6%	19.0%	15.7%

# World Balance Sheet

## Million Bales

	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>
Production	107.08	101.38	114.59
Mill Use	110.06	118.40	113.93
Exports	30.07	35.57	35.30
Stocks	60.54	44.28	44.99
Stocks/Use	55.0%	37.4%	39.5%

# 2011/12 Marketing Year

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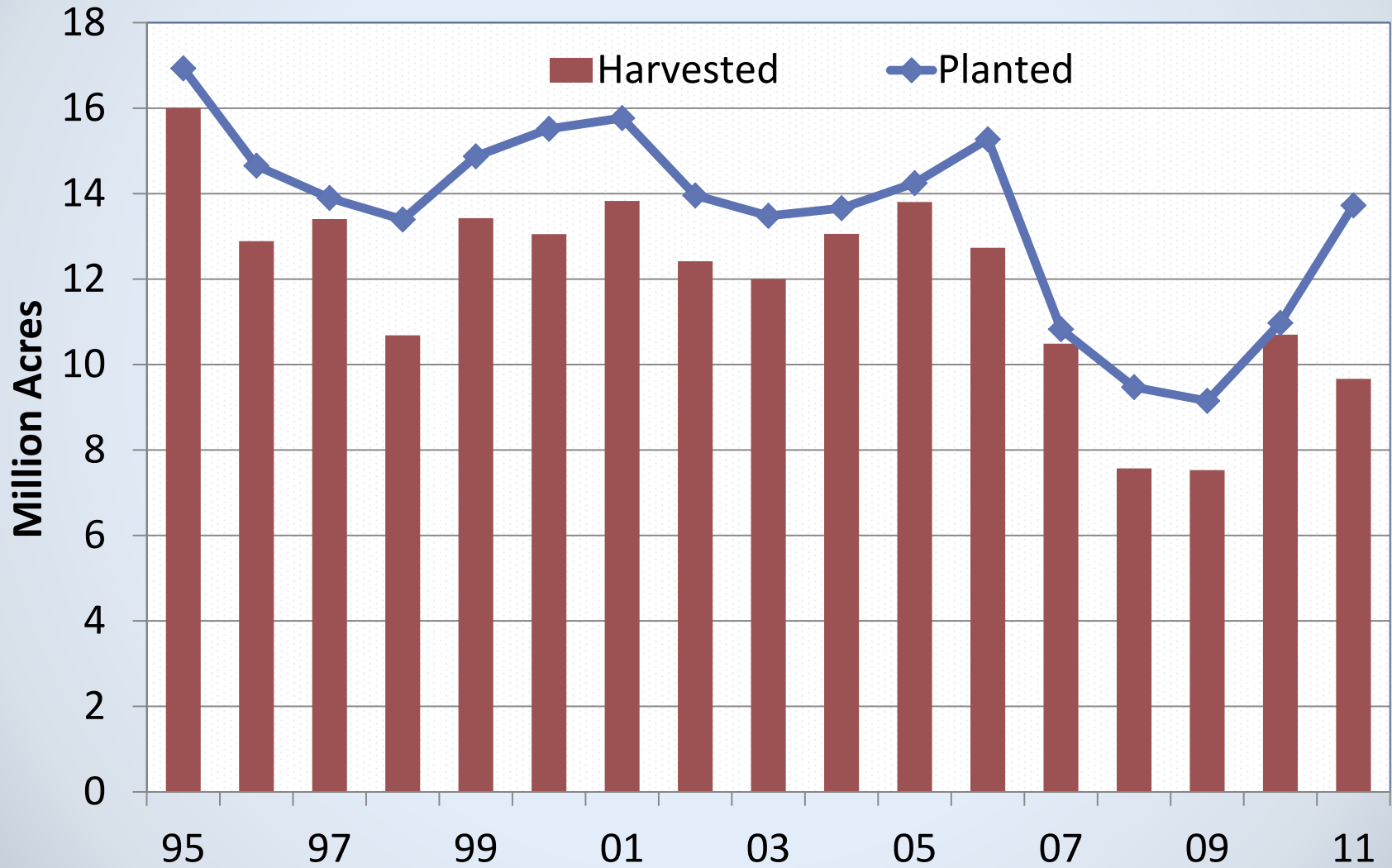
# US Cotton Area

Thousand Acres

	<b>2010 Actual</b>	<b>2011 June</b>	<b>% Change</b>	<b>USDA March</b>
Southeast	2,597	3,138	20.8	3,095
Mid-South	1,920	2,330	21.4	2,280
Southwest	5,886	7,468	26.9	6,488
West	367	500	36.2	450
<b>Upland</b>	<b>10,770</b>	<b>13,436</b>	<b>24.8</b>	<b>12,313</b>
<b>ELS</b>	<b>204</b>	<b>289</b>	<b>41.5</b>	<b>253</b>
<b>Total</b>	<b>10,974</b>	<b>13,725</b>	<b>25.1</b>	<b>12,566</b>

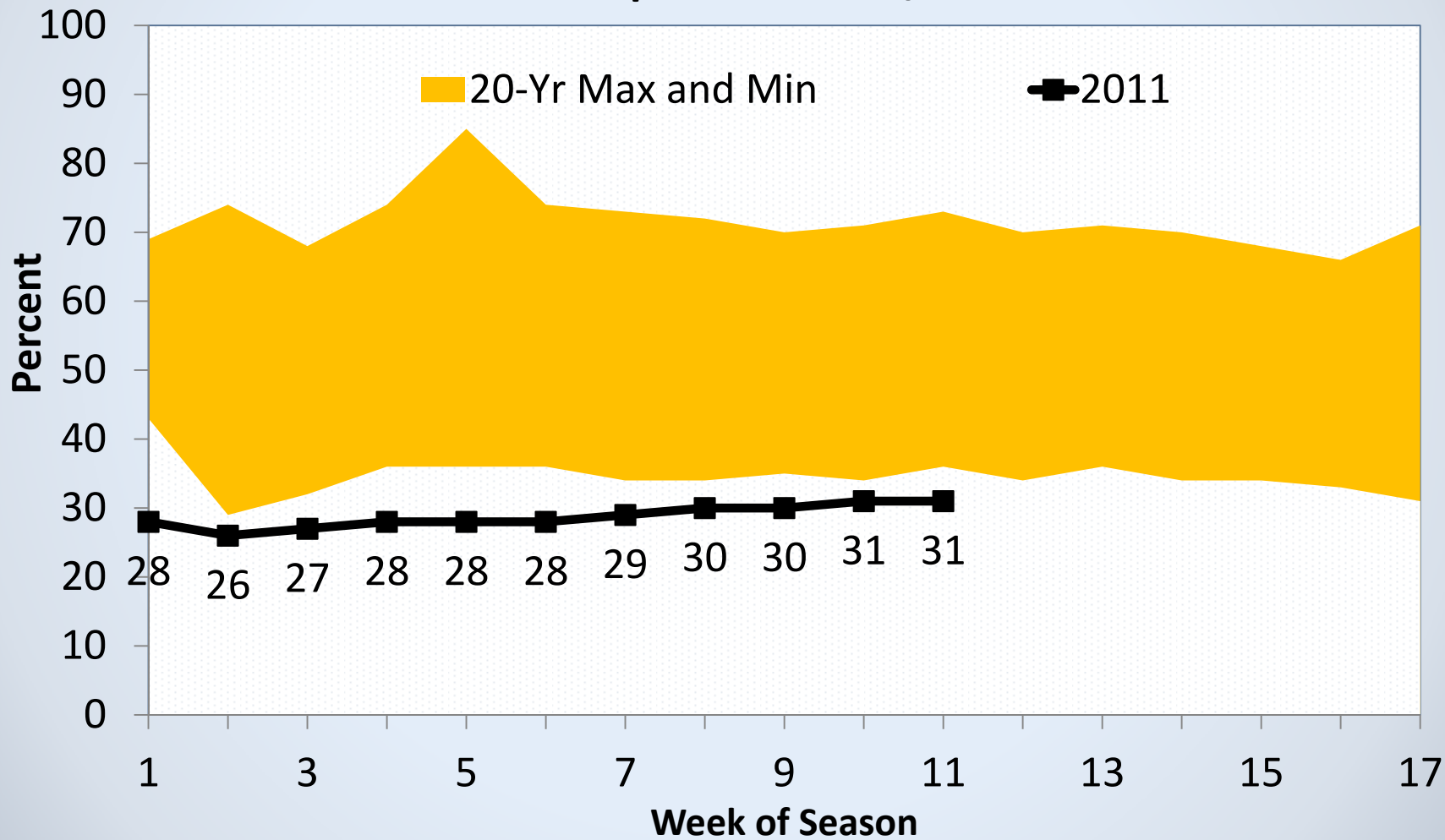
*Total may not add due to rounding.*

# US Cotton Area

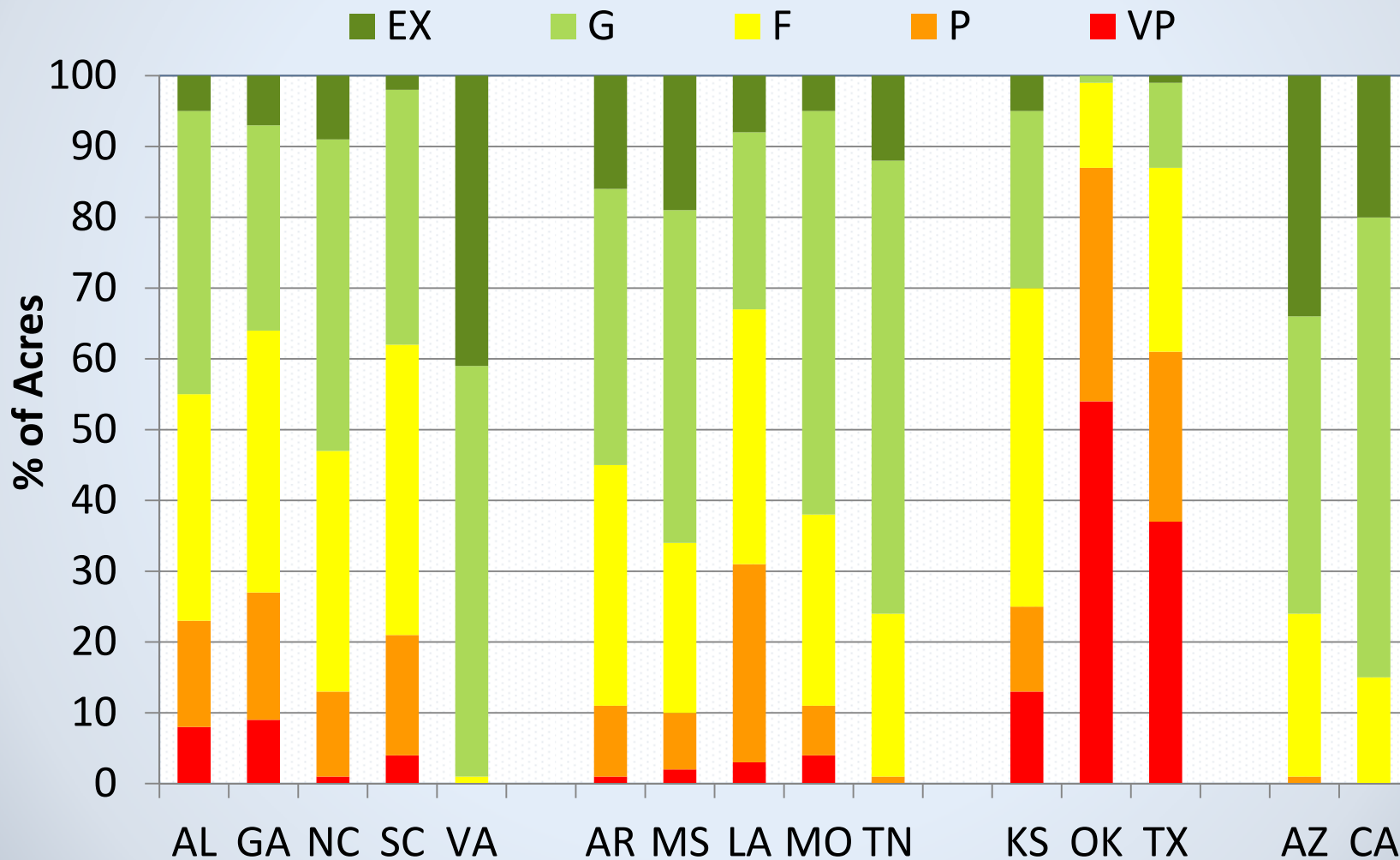


# US Cotton Ratings

## % of Crop Rated Good/Ex



# USDA Cotton Ratings in Mid-Aug



# US Cotton Production

Thousand Bales

	2009	2010	2011	% Change
Southeast	3,431	4,324	5,261	21.7
Mid-South	2,610	3,827	4,425	15.6
Southwest	4,992	8,344	4,648	-44.3
West	755	1,105	1,483	34.2
<b>Upland</b>	<b>11,788</b>	<b>17,600</b>	<b>15,817</b>	<b>-10.1</b>
<b>ELS</b>	<b>399.9</b>	<b>504.1</b>	<b>737.2</b>	<b>46.2</b>
<b>Total</b>	<b>12,188</b>	<b>18,104</b>	<b>16,554</b>	<b>-8.6</b>

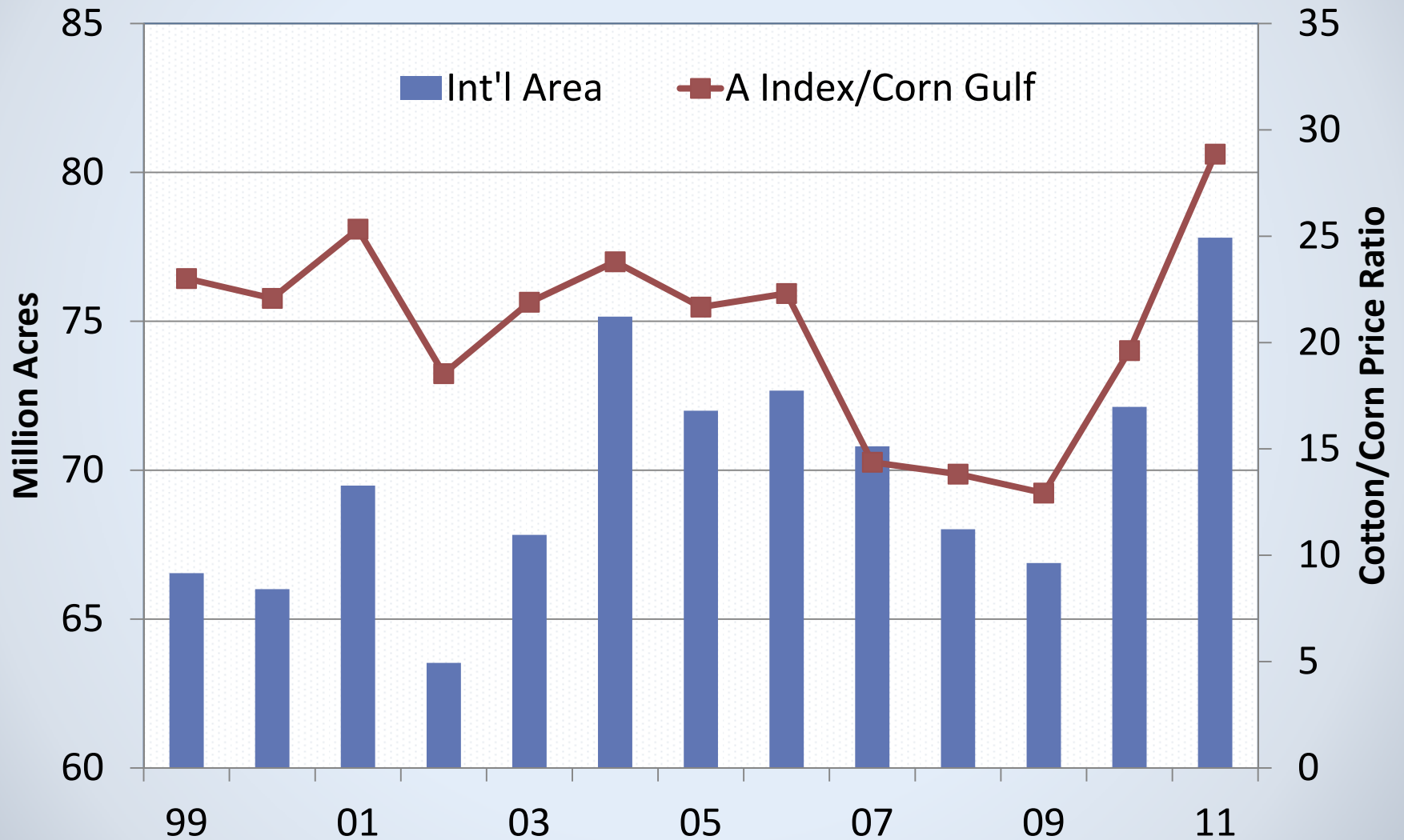
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# US Balance Sheet

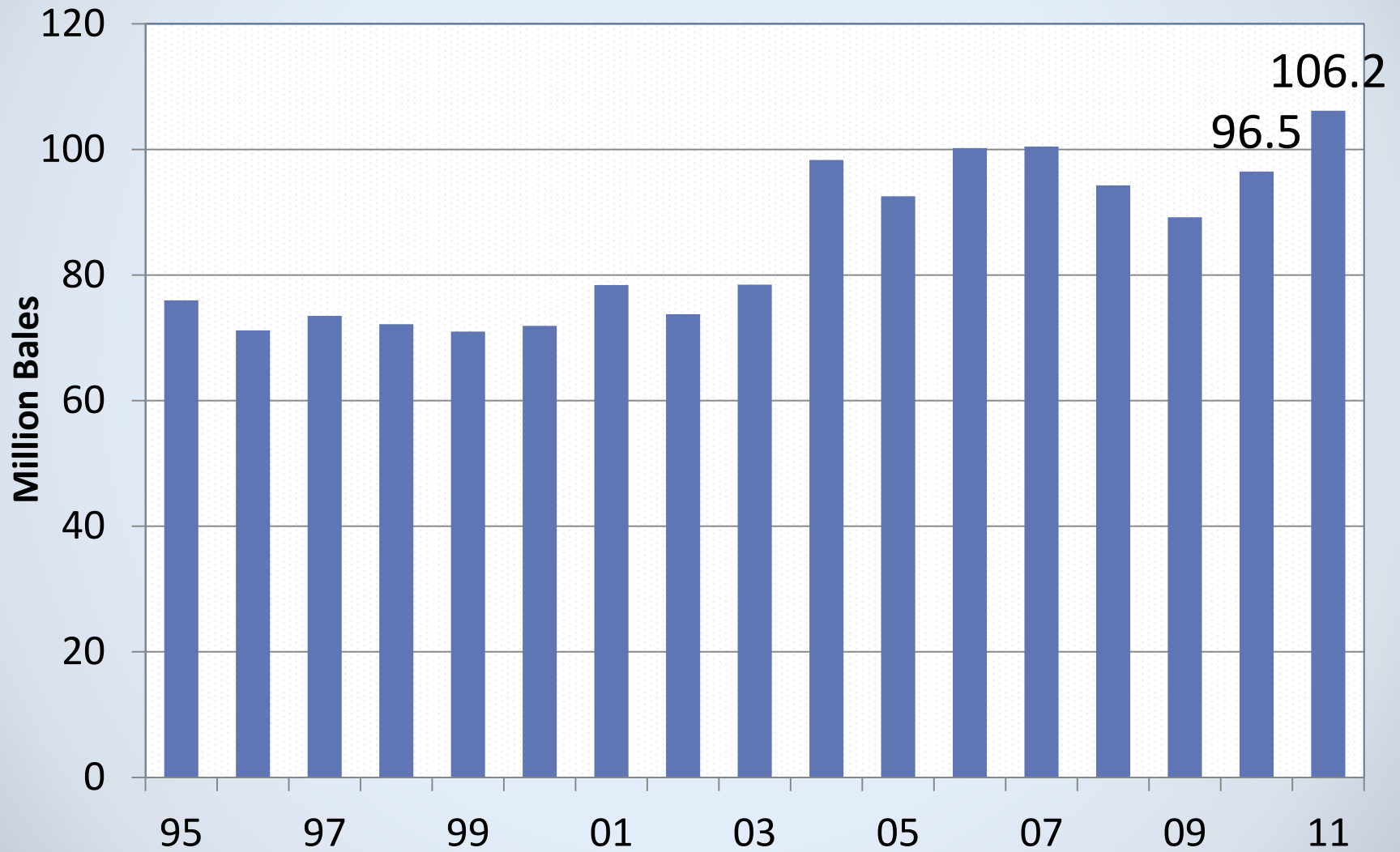
## Million Bales

	<b>09/10</b>	<b>10/11</b>	<b>11/12</b>	<b>Change</b>
Production	12.19	18.10	16.55	-1.55
Mill Use	3.46	3.80	3.80	-0.00
Exports	12.04	14.40	12.30	-2.10
Stocks	2.95	2.85	3.30	-0.45
Stocks/Use	19.0%	15.7%	20.5%	

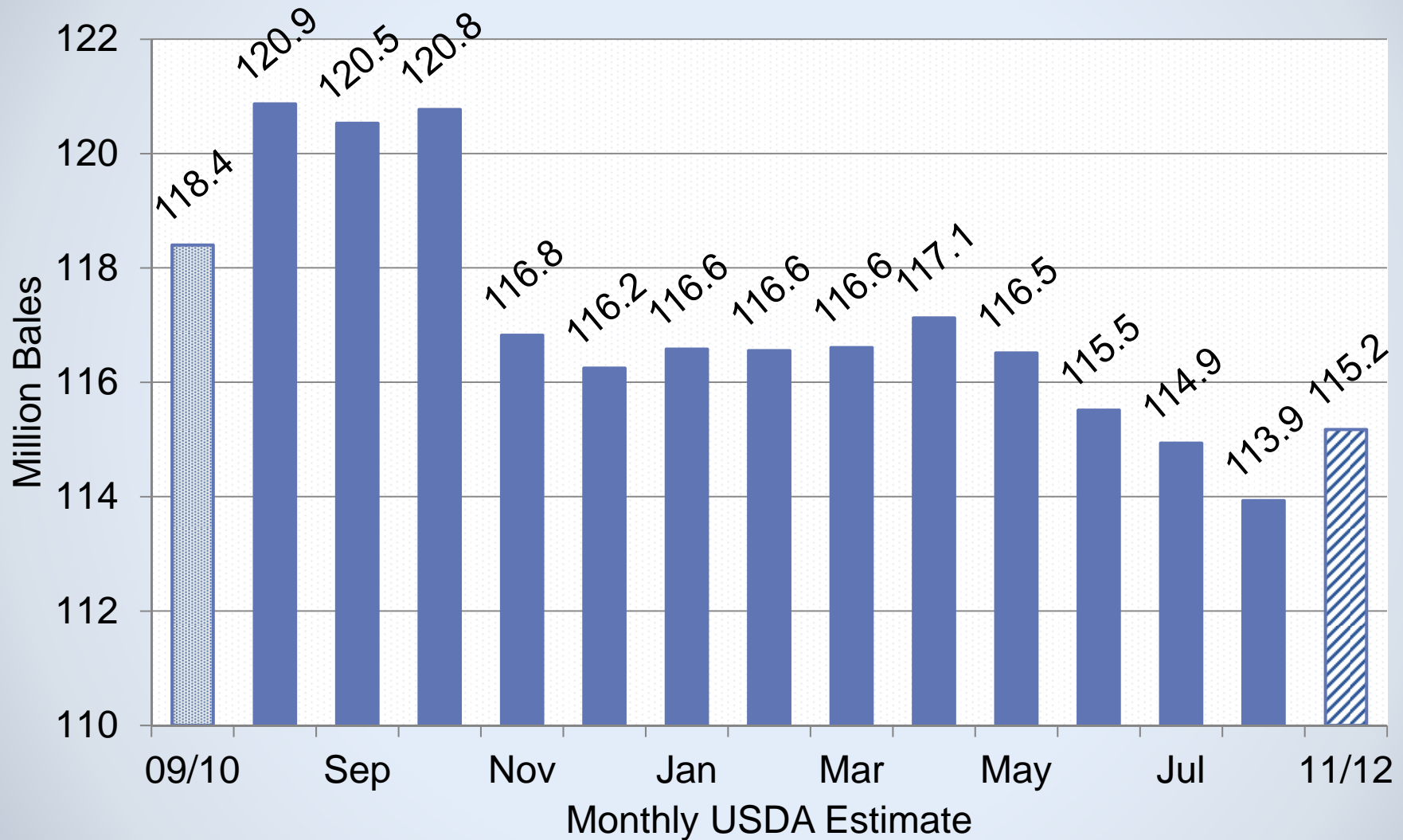
# International Area vs Price



# Int'l Cotton Production



# World Mill Use in '11/12



Source: USDA's Monthly WASDE

# World Balance Sheet

## Million Bales

	<b>09/10</b>	<b>10/11</b>	<b>11/12</b>
Production	101.4	114.6	122.7
Mill Use	118.4	113.9	115.2
Exports	35.6	35.3	37.6
Stocks	44.3	45.0	52.7
Stocks/Use	37.4%	39.5%	45.7%

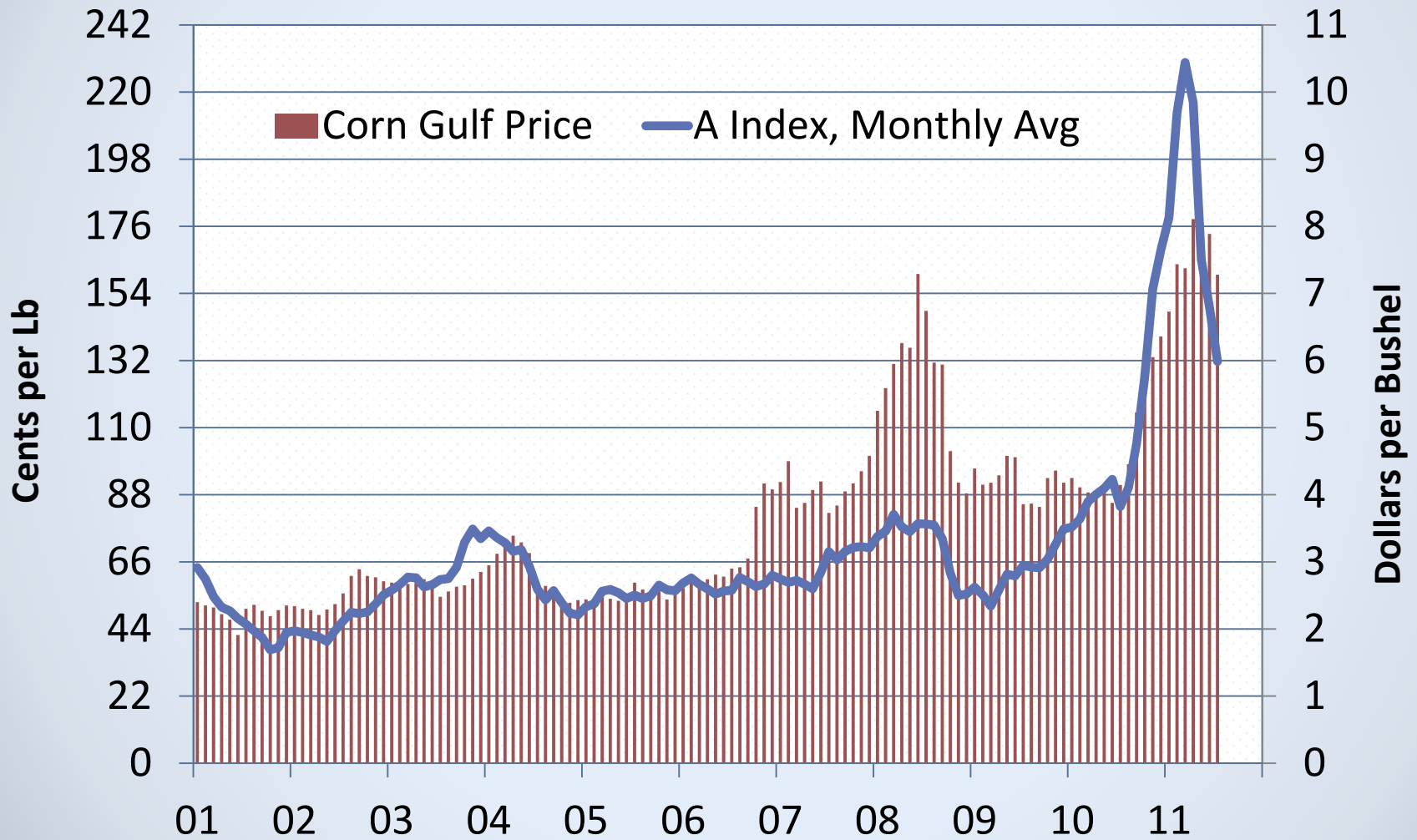
# China's Cotton Policy

- Announced support program for 2011 crop
- In effort to stabilize market and support price to farmers, China's government will purchase cotton for national reserves to support price at 19,800 yuan per ton
- At current exchange rates, that equates to \$1.38 per lb

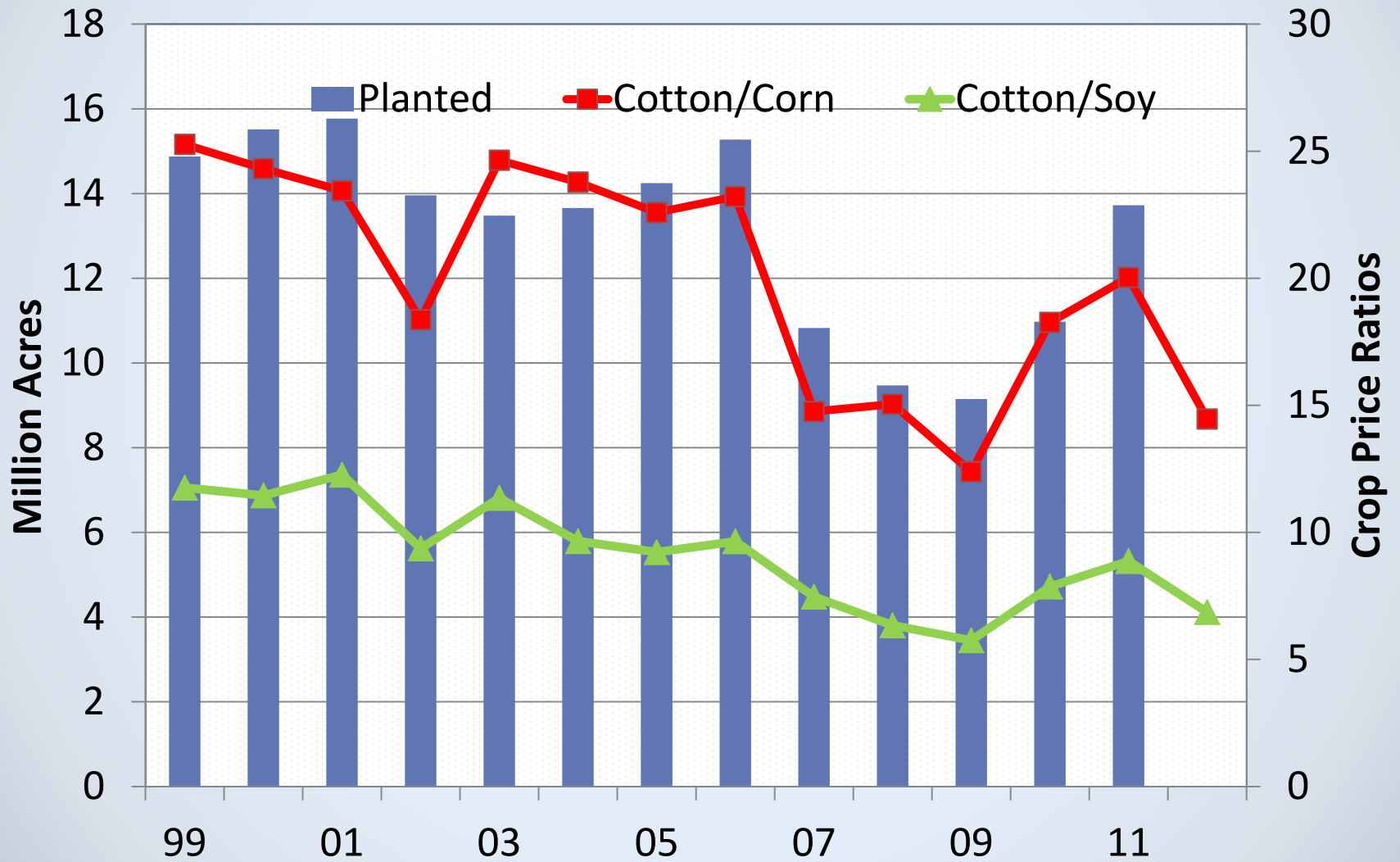
# China's Imports & India's Exports



# A Index vs Other Crop Prices



# US Cotton Area



# Final Points

- Reduced production will maintain tight stock situation in the US
- When will demand recover?

**Producers      Cooperatives**

**Ginners   Cottonseed   Merchants**

**Warehouses      Manufacturers**

