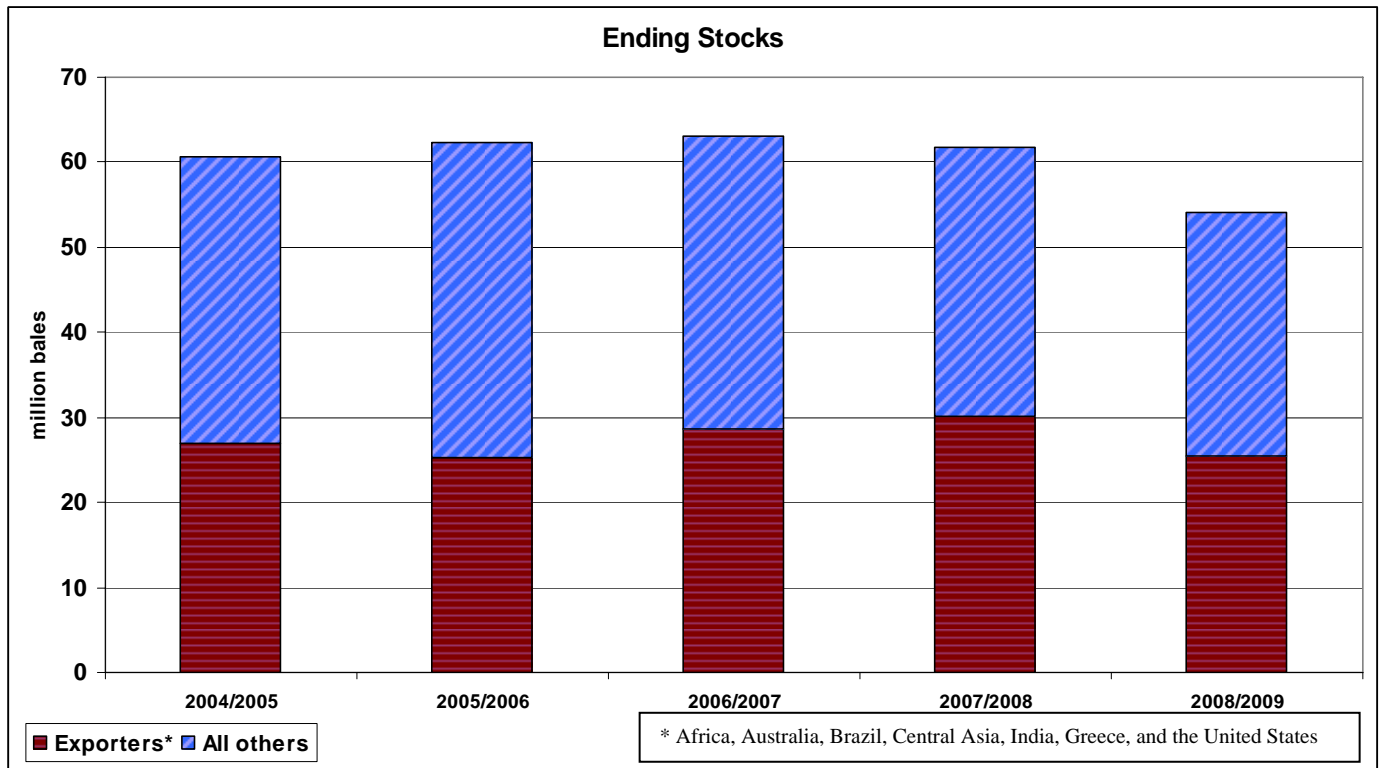




# Cotton: World Markets and Trade

## Stocks Decline in 2008/09 and Importers Hold Greater Share



During the previous 4 seasons, 2004/05 to 2007/08, global stocks have remained relatively stable. Prices were below the long term average and showed limited volatility. With adequate stocks and limited price volatility importers showed little interest in holding stocks. As a result exporter's share of total stocks increased.

Rising prices normally induce importers to hold stocks. While cotton prices have increased during 2007/08, importers have not yet begun to build stocks largely because of the current global credit situation and uncertainty over recent price volatility. Therefore importers' share of stocks are expected to continue decline during 2007/08.

However, the situation in 2008/09 will likely change. 2008/09 U.S. farm prices are forecast at the highest levels in a decade. With decreasing global production (even at the higher prices) and expected moderate growth in demand, global stocks are expected to decline by 12 percent. Much of the decrease will be in the U.S, which is the largest exporter. Importers will face the tightest stock situation since 1994/95, and the highest prices in a decade, as a result their share of stocks is expected to increase.

Note: The June WASDE includes the forecast for cotton prices pursuant to the enactment of the Food, Conservation and Energy Act of 2008, which removed a 79-year-old prohibition on the publication of cotton price forecast by USDA. More information is available at: <http://www.usda.gov/oc/commodity/wasde/latest.pdf>



















































