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In this month's issue, there is our usual review of the key events affecting the global raw cotton trade during the past month, as well as a summary of our latest production and consumption estimates. In addition, we take a brief look back at two major trade events to have taken place during June, namely the China International Conference and ANEA's annual meeting in Brazil.

JUNE

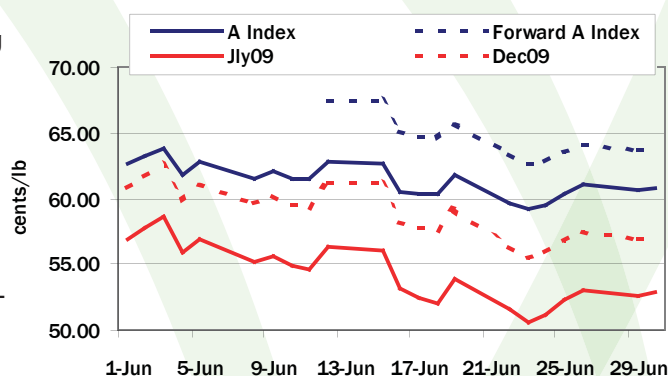
Market Review

New York futures fluctuated widely and somewhat unpredictably during June, influenced primarily by the ebb and flow of investment fund money between financial markets, in particular the US dollar and commodities. Fundamental developments, such as the

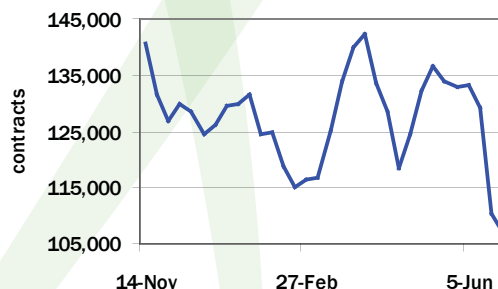
sustained active pace of US export shipments and reasonably well-maintained level of weekly export sales registrations, appeared to be largely overlooked. Volatility was also derived from the maturation of the July 2009 contract and the associated rolling forward of positions into the December 2009 delivery. As the first notice day approached for the July contract, open interest in New York fell to its lowest level for three and half years, largely as a result of the withdrawal of investments by speculative funds. During the second half of the month under review, the bias of the market leaned increasingly to the downside and the December 2009 contract ended the month some 388 cent points per lb lower.

Nearby physical prices followed the weaker tendency, but generally were not reduced to the same extent as futures, particularly in the case of non-US growths. The relative firmness of merchants' asking rates was attributable partly to the change to the December 2009 contract as a reference for 'on call' offers and a desire among the trade not to relinquish too much of the 'carry' in their basis levels. However, merchants were also seeking to reflect the firmness of replacement costs at a number of origins (in face of a dwindling exportable supply) and active sales on dips in prices. Mills in a number of countries appeared to have fairly sizeable gaps in their nearby coverage which

A Indices versus New York Futures



Open Interest in New York Futures



they were induced to cover. Demand for US cotton was observed on a number of markets, including Turkey, where Turkmen description also found favour. Bangladesh was a regular and brisk source of enquiry for Uzbek better grades. West African was sold in good volume to a number of markets, including Vietnam and Indonesia.

China also re-emerged as a source of import demand. The volume of 2009 tariff-rated quotas still unused (already thought to be less than a couple of hundred thousand tonnes) thus continued to fall. As the month progressed and international prices came under pressure, calls by mills for the government to release additional import quotas became more vociferous. The accompanying chart shows the A Index converted to an approximation of CFR China equivalent value (both with tariff rated and sliding scale quota), compared with the CC Index, which is based on domestic delivered mill prices for Type 328.

CC Index v adjusted Cotlook A



Conjecture at the 2009 China International Conference on June 11 and 12 was that a quota of 300,000 to 500,000 tonnes would be made available sometime in July, but no official clarification of the government's intentions was forthcoming. With domestic prices continuing to rule firm, the authorities sought to stimulate uptake at the daily auctions of the state reserves, both by increasing the volume made available and releasing old crop stocks (including some imported growths), by reducing the base price for sales and by encouraging the participation of smaller mills, but they subsequently acted to try to curb speculative purchases by placing restrictions on the amounts mills could buy.

Cotton Outlook Special Feature

The World Long Staple Market

Cotlook's Annual Review of the World Long Staple Market, which has been published every year since 1997, has consistently attracted complimentary comments from our readership around the world, and we are pleased therefore to announce that the next in the series will be published around the end of July.

Like all our glossy publications, the Review will be circulated free of charge to our English and Mandarin speaking audiences. It is also sent to a specific list of users of long staple cottons. We trust, therefore, that you will consider advertising your company to this very wide and knowledgeable audience.

I would be pleased to discuss your requirements in greater detail, please contact:
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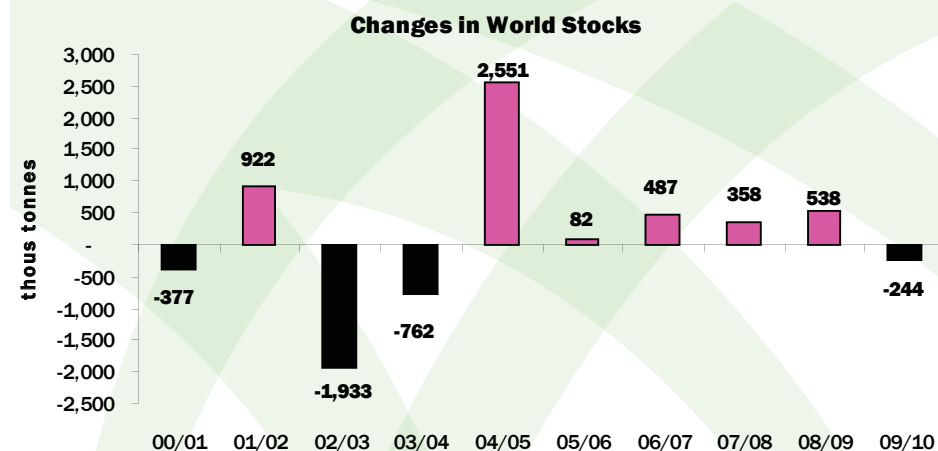
The progress of the Northern Hemisphere new crops may not have had a profound impact on prices but, nonetheless, remained a focus of attention, not least in regard to the development of the Indian monsoon. The rains stagnated during the middle portion of the month, delaying sowing in the major cotton areas and giving rise to concern over the implications for production potential. The weather in the United States proved rather mixed (too dry in southern Texas and too wet in some other southern states) but little serious impact on production prospects was noted. The USDA's planted acreage report on June 30 placed the area sown at 9,054,400 acres, three percent above the March intentions figure, but four percent below last season's estimate. Crop estimates continued to be revised downward in Central Asia, a wet spring having hampered planting. In contrast, optimism was expressed over the scale of plantings in Pakistan. Meanwhile, in its report covering the period up to the end of May, for the second month in a row, the China Cotton Association came out with a marginally increased estimate of this year's plantings and expressed some optimism about the prospects for yields.

Yarn business appeared to stagnate in many parts of the world, leading to some observers to suggest that the brighter demand witnessed during the previous two months was attributable merely to a restocking of inventories by downstream manufacturers. How-

orders, but also movements in raw material replacement costs.

Cotton Outlook's latest forecast of world production during the 2009/2010 season stood at 23,021,000 tonnes (82,000 tonnes less than our estimate a month earlier), which is lower than our estimate for the current season of 23,240,000 tonnes. Our consumption forecast for 2009/2010 is 23,265,000 (up 35,000 tonnes), representing a gain of 2.5 percent on our number for this season. Our projections suggest that only modest inroads

(a decline of 244,000 tonnes) would be made into global stocks during 2009/2010, following increases recorded in each season since 2004/2005.



ever, seasonal factors may also have been influential. Cotton yarn values generally presented a weaker appearance, reflecting not only the dearth of fresh

World Cotton Balance Sheet									
Unit = 1,000 tonnes	World (excl. China)			China			World		
	07/08	08/09	09/10	07/08	08/09	09/10	07/08	08/09	09/10
Cotlook									
Production	18,069	15,440	15,771	8,050	7,800	7,250	26,119	23,240	23,021
China net trade	-2,497	-1,380	-2,030	+2,497	+1,380	+2,030			
New Supply	15,572	14,060	13,741	10,547	9,180	9,280	26,119	23,240	23,021
Consumption	15,262	13,691	13,995	10,500	9,000	9,270	25,762	22,691	23,265
Net change in stock	+311	+368	-254	+47	+180	+10	+358	+548	-244
USDA									
Opening stock	9,203	9,161	9,129	4,472	4,355	4,186	13,675	13,516	13,315
Production	18,167	15,522	15,950	8,056	7,795	7,185	26,223	23,317	23,135
China net trade	-2,497	-1,398	-1,944	+2,497	+1,398	+1,944			
New Supply	15,670	14,124	14,006	10,553	9,193	9,129	26,223	23,317	23,135
Consumption	15,495	14,152	14,461	11,213	9,907	10,233	26,708	24,059	24,694
Other adjustments	-217	-4	+120	+543	+545	+434	+326	+541	+554
Ending Stock	9,161	9,129	8,794	4,355	4,186	3,516	13,516	13,315	12,310
Net change in stock	-42	-32	-335	-117	-169	-670	-159	-201	-1,005
ICAC									
Opening stock	9,057	9,040	9,142	3,653	3,321	3,745	12,710	12,361	12,887
Production	18,119	15,496	15,990	8,071	8,025	7,470	26,190	23,521	23,460
China net trade	-2,492	-1,408	1,408	+2,492	+1,408	1,446			
New Supply	15,627	14,088	17,398	10,563	9,433	8,916	26,190	23,521	23,460
Consumption	15,413	13,961	14,150	10,900	9,000	9,270	26,313	22,961	23,420
Other adjustments	-231	-25	2,850	+5	-9	1	-226	-34	+3
Ending Stock	9,040	9,142	9,540	3,321	3,745	3,390	12,361	12,887	12,930
Net change in stock	-17	+102	+398	-332	+424	-355	-349	+526	+43

Fact of the Month

What is
CICCA?
The Com-
mittee for
Interna-
tional Co-
operation
between
Cotton

Associations (CICCA) was formed in 1976 and had 12 founding members. Initially, members were confined to arbitral authorities, to discuss issues at a supra-national level concerning contract sanctity, trading rules and arbitration. In 1999, CICCA's composition was broadened to welcome and encourage into membership cotton associations that were not arbitral organisations, providing they commit to the adherence to the principle of sanctity of contract. Current CICCA members are the Association Cotonnière Africaine, the Australian Cotton Shippers Association, the Belgian Cotton Association, the Bolsa de Mercadorias & Futuros, São Paulo, the China Cotton Association, the Alexandria Cotton Exporters' Association, the Association Française Cotonnière, the Bremer Baumwoll-börse, the Cotton Association of India, the Federazione Imprese Tessili e Moda Italiane, the Japan Cotton Traders' Association, the Karachi Cotton Association, the Gdynia Cotton Association, the Centro Algodonero Nacional, the Izmir Mercantile Exchange, the International Cotton Association Ltd and the American Cotton Shippers Association.

CCA leaders meet with ICA

During the China International Cotton Conference, recently held in Nanjing, representatives from the China Cotton Association (CCA) - Ms Gao Fang, Vice Standing President and Deputy Secretary Generals, Mr Yang Zhaoliang and Ms Li Lin - took time out of their busy schedules to meet with the ICA. Discussions centred on a number of key areas - including further cooperation in the area of trading rules, dealing with defaulters, fulfilling arbitration awards and future training forums. Dr Robert Jiang, ICA China Business Development Officer, explains: "The meeting was beneficial for both parties, providing an ideal forum to exchange ideas and information. It's another positive step that clearly demonstrates a desire to continue to work together."

FREE guidance for contract disputes

If you have a contract dispute and need help with ICA arbitration procedures, we've produced a range of guidance notes, flow charts and frequently asked questions that are available as a FREE download from our website. The ICA arbitration service is available to anybody trading under ICA Bylaws and Rules. You'll receive an impartial and internationally recognised service and gain our commitment to ensure that disputes are settled as quickly as possible. We also offer significant cost savings for ICA members.

[Click here](#) for more details and to download information.

ICA International Trade Dinner Event

Join us on October 1 & 2 in Liverpool, UK for the most celebrated event in the global cotton calendar. Taking place in the Crowne Plaza Hotel and St George's Hall, the two-day programme includes engaging presentations, open forum sessions, dinner and drinks at St George's - with after-dinner speaker, Gerald Ratner, post dinner reception at the Crowne Plaza - with drinks and live entertainment PLUS your chance to focus on the international business of cotton with leading industry professionals. The cost has been capped at the 2008 price - £220 (plus £33 GBP VAT) - with a £20 discount for ICA Full Members. Online registration goes live at the end of June.

[Click here](#) for more information and to register online

Developing new links in China

In a move to encourage more sectors of the global cotton industry to become involved in ICA activities, we held an open forum session during the Chinese Cotton Conference. 40 guests joined us - mainly from Chinese spinning mills, but also merchants, controllers and agents. Following an overview of the ICA, we held a Q&A slot where we provided some practical information about the procedures for dealing with disputes, as well as clarifying the application of the trading rules. The session was well received and created a good opportunity to learn from each other, listen to views and drive forward new initiatives - such as creating a Chinese section on the ICA website, developing communication links to share information and establishing a network of key contacts for arbitration matters and procedures.

For more information about the ICA and its services

Visit: www.ica-ltd.org

Tel: +44 151 236 6041

Email: info@ica-ltd.org

PROMOTING COTTON IN CHINA

The China Cotton Association (CCA) has launched a promotional campaign for the "COTTON CHINA" logo. The campaign has a number of objectives, namely to help the industry in these difficult financial times, echo the measures called for by the government aimed at stimulating domestic demand and economic growth, explore the market share of cotton textile products, promote the interests of cotton farmers, cotton merchants and cotton textile mills, and boost the healthy development of the cotton industry.

The logo "Cotton China", which has been registered by the Administration of Industrial and Business Management, has the concept of "high quality, pure, environmentally-friendly cotton". The logo is the symbol of high quality of Chinese cotton as well as its products, and will be helpful for consumer recognition of the fibre. CCA would like to cooperate sincerely with international cotton organisations to pursue the common target - boost cotton consumption and promote the sustainability of the cotton industry.



PEOPLE IN THE NEWS

New Executive Vice President for China Cotton Association

On the retirement from the position of Mr. Shi Jianwei, Gao Fang, the Secretary-General of the China Cotton Association (CCA) has also assumed the role of Executive Vice-President.

Gao Fang graduated from the Business Economy Department, Beijing Industrial and Business University.

Ms. Gao has been engaged in cotton affairs for over 20 years, in which time she has worked for the Cotton and Jute Bureau of the Ministry of Commerce, the Agriculture Service Department of the Domestic Trade Ministry and the Cotton and Jute Bureau of the China Co-op. She was elected as Secretary-General of the CCA in 2003 and has taken responsibility for the work of the CCA secretariat to date.



The China Cotton Association is a non-profit organisation, funded by members (growers, cooperatives, production enterprises, merchants, ginneries, machinery manufacturers, research institutions, local cotton associations, warehouses), by government grants and by income from services. The Association's role is to implement government trade policy, conduct research, develop and enforce codes of practice, develop information and technology exchanges and partnership programmes, resolve disputes and protect the industry's interests. In 2007, the CCA joined the Committee for International Co-operation between Cotton Associations (CICCA). The CCA has undertaken to place any defaulter that fails to abide by a CCA arbitration award on the CICCA list and to recommend the CICCA list as a reference to China's domestic industry.

SUDOKU

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