# COTTON MARKET REPORT – JUNE 2020

KATOEN SA
COTTON SA

## CHANGES IN CHINA'S COTTON IMPORTS

### International

China is expected to remain the world's largest importer of cotton lint, despite the trade dispute between China and the USA. Tariffs on cotton lint increased in 2018/19, making US cotton 25% more costly to Chinese importers. Global imports for the 1st nine months of the season are 22% down from the same period the previous year.

As US exports to China decreased in 2018/19, Brazil gained market share to China and other countries. For the 2019/20 season Brazil is expected to export over 1.8 million tons globally of which 527 00 tons are destined for China. The US is expected to export 3 million tons globally and by April 2020 has exported an estimated 277 000 tons to China, a 29% increase from the 2018/19 season.

Market share in China has shifted because of reduced demand due to Covid-19. Drought conditions in Australia limited total exports for 2019/20. Exports from India and West Africa to China have also declined over the previous season. Other countries and regions exporting to China that had seen increases during 2018/19, are showing declines in their exports to China during the 2019/20 season.

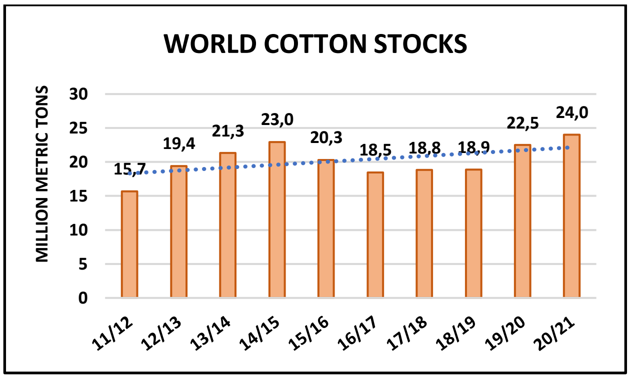
Covid-19 has presented an additional challenge to the cotton sector which was already under pressure by the long-term decline in consumption and declining prices since 2018. Stringent containment measures in various countries have slowed manufacturing and trade across the globe. Given on-going uncertainty regarding the full effects of the COVID-19 pandemic on the world economy, further downward revisions to mill-use and further upward revisions to ending stocks are possible.

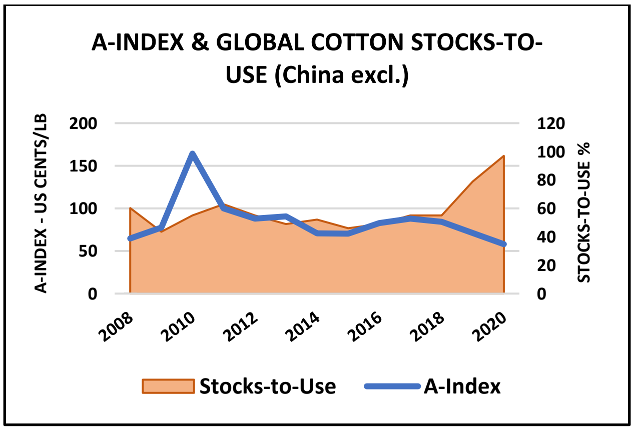
Global production is estimated at 26.1 million tons for the 2019/20 season. Global cotton consumption is revised downwards by 13% to 22.5 million tons for 2019/20. The estimated ending stocks for 2019/20 is 22.5 million tons, the same as consumption. Trade is expected to decrease by 11% to 8.25 million tons.

The ICAC's current price projection for the year-end average for 2019/20 of the A-index (reference price) is 71 US cents per pound, while the price projection for the year-end 2020/21 is 58 US cents per pound.

World Cotton Balance Sheet

| | Aug-Jul | 2020/21 | |
|---|---|---|---|
| | 2019/20 | May | June |
| | Million Metric Tons | | |
| Beginning Stocks | 18.88 | 21.75 | 22.49 |
| Production | 26.15 | 25.12 | 24.86 |
| Mill-Use | 22.54 | 23.75 | 23.31 |
| Ending Stocks | 22.49 | 23.12 | 24.04 |
| Stocks/ Use | 99.8% | 97.3% | 103.1% |




## International Cotton Prices

| | Today | Season Low | Season High | 1 Year ago | 2 Years ago |
|---|---|---|---|---|---|
| Current Cotlook A Index | 68,85 | 59,15 | 80,20 | 77,00 | 93,75 |
| NY Futures Nearby Contract [a] | 60,98 | 48,41 | 71,53 | 63,17 | 95,05 |
| Basis[b] | 7,87 | 4,91 | 12,32 | 14,43 | 8,35 |
| 2019/20 average to date | 71,61 | | | | |
| 2018/19 average | 84,35 | | | | |

*[a] Previous day's close*

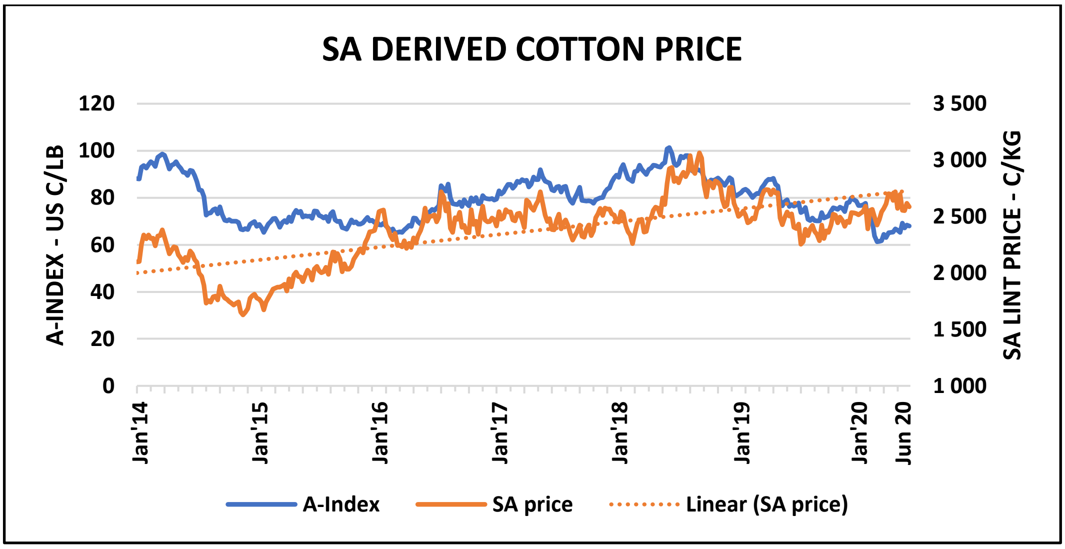
*[b] Current A-Index minus Nearby NY (previous close)*

*Source: Cotlook Ltd; quotes in US cents per pound*

## Local

The 6th estimate for the 2019/20 production year indicates a cotton crop of 135 303 lint bales for the RSA, 3% down from last month's estimate due to lower yields in some of the production areas. Seed availability, restructuring of ginning capacity and unfavourable growing conditions at the beginning of the planting season were the main reasons for lower plantings in 2019/20. The strict lockdown regulations will result in lower domestic cotton consumption for the year under review while most of the crop will be exported. It will be the second consecutive year that the country will be a net exporter of cotton lint.

| RSA CROP 200 Kg Lint bales | 2019/20 6th Estimate | 2019/20 5th Estimate | 2018/19 Final Estimate |
|---|---|---|---|
| Ha Irrigation | **11 581** | 12 306 | 24 921 |
| Ha Dryland | **16 770** | 15 940 | 16 792 |
| Total Ha | **28 351** | 28 246 | 41 713 |
| **Yield: kg seed cotton per ha** | | | |
| Irrigation | **4 626** | 4 827 | 4 536 |
| Dryland | **1 029** | 1 063 | 967 |
| TOTAL BALES | **135 303** | 139 487 | 238 222 |

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