

Nie-winsgewende Organisasie / Non-profit Company Registration No. 199800820/08

Date: 3 February 2015 Reference: 9/3/3/1

## **COTTON MARKET REPORT AS AT 2 FEBRUARY 2015**

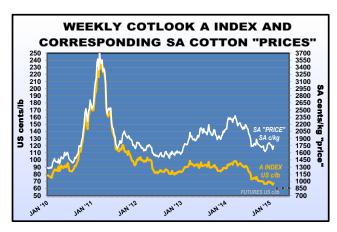
## International

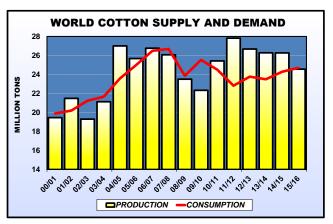
Low world cotton prices are expected to persist through the remainder of the current season, i.e. at least until August 2015 when farmers in the Northern Hemisphere make their planting decisions. As a result, the International Cotton Advisory Committee (ICAC) forecast world cotton production to fall by about 6% to 24.6 million tons in 2015/16, which will be the lowest level in 6 years. Low returns for cotton in relation to competing summer crops will also cause more farmers to switch from cotton in 2015/16 according to the ICAC.

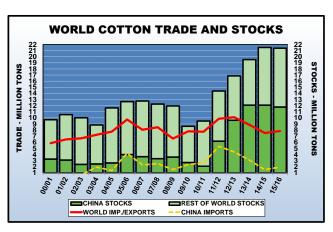
For the 2015/16 season, the ICAC projects that cotton production in India (the world's largest cotton producing country) will fall by about 4%, be about 11% less in China and fall by about 9% in Pakistan.

Given the fact that global economic growth projections for 2015 has been scaled down by the IMF from 3.8% to 3.5% and polyester prices have also fallen much faster than cotton prices for most of the season, world cotton consumption is expected by the ICAC to show a moderate increase of only 2% in 2015/16. Cotton consumption will for the 1st time in 5 years overtake production but only by 100 000 tons which would not affect the large world stockpile of cotton much.

Although cotton consumption in China is forecast by the ICAC to remain stable at around 8 million tons in 2015/16, accounting for around one third of world cotton consumption, this figure is still 27% down from its record cotton consumption figure of 10.9 million tons of 2007/08. According to the ICAC, high domestic cotton prices, rising labour costs and the







availability of cheap yarn imports, have hurt China's spinning sector in recent years.

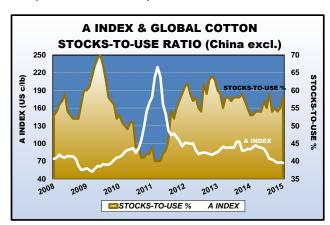
World cotton trade is expected by the ICAC to rise by about 4% in 2015/16 after

Estimated world supply and demand for cotton for the 2013/14 season and projections for 2014/15 and 2015/16 (seasons beginning 1 August):

| (million metric tons)                 | 2013/14 | 2014/15 | 2015/16 |
|---------------------------------------|---------|---------|---------|
| Beginning stocks                      | 16.9    | 19.5    | 21.5    |
| Production                            | 26.3    | 26.3    | 24.6    |
| Consumption                           | 23.5    | 24.3    | 24.7    |
| Exports                               | 8.9     | 7.5     | 7.8     |
| Imports                               | 8.7     | 7.5     | 7.8     |
| Ending stocks                         | 19.5    | 21.5    | 21.4    |
| Ending stocks/use<br>(China excluded) | 47%     | 58%     | 58%     |
| A Index (US c/lb)                     | 91      | 61-78   |         |

declining by 15% in 2014/15 mainly due to a 50% drop in Chinese cotton imports during that season.

A index and global stocks-to-use ratio (China excluded):



Average Cotlook A index prices and corresponding South African "cotton prices":

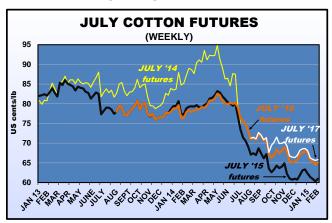
| DERIVED RSAA INDEX<br>Avg: US c/lb"PRICE"<br>Avg: SA c/kgLast week (26/01 - 30/01/15)66.601717.53January 201567.471746.27Today (02/02/15)67.051741.78December 201468.451756.68Today a year ago92.652304.12Today two years ago90.351806.49                   |                              |              |                  |
|---|------------------------------|--------------|------------------|
| Avg: US c/lbAvg: SA c/kgLast week (26/01 - 30/01/15)66.601717.53January 201567.471746.27Today (02/02/15)67.051741.78December 201468.451756.68Today a year ago92.652304.12   |                              |              | DERIVED RSA      |
| Last week (26/01 - 30/01/15)       66.60       1717.53         January 2015       67.47       1746.27         Today (02/02/15)       67.05       1741.78         December 2014       68.45       1756.68         Today a year ago       92.65       2304.12 |                              | A INDEX      | "PRICE"          |
| January 201567.471746.27Today (02/02/15)67.051741.78December 201468.451756.68Today a year ago92.652304.12   |                              | Avg: US c/lb | Avg: SA c/kg     |
| Today (02/02/15)       67.05       1741.78         December 2014       68.45       1756.68         Today a year ago       92.65       2304.12   | Last week (26/01 - 30/01/15) | 66.60        | 1717.53          |
| December 2014       68.45       1756.68         Today a year ago       92.65       2304.12  | January 2015                 | 67.47        | 1746.27          |
| Today a year ago 92.65 2304.12  | Today (02/02/15)             | 67.05        | 1741.78          |
|   | December 2014                | 68.45        | 1756.68          |
| <i>Today two years ago</i> 90.35 1806.49  | Today a year ago             | 92.65        | 2304.12          |
|   | Today two years ago          | 90.35        | 1806. <b>4</b> 9 |

The **COTLOOK A INDEX** is a daily indicator of international cotton lint prices and is the average of the cheapest 5 quotations (cost & freight) from a selection of the principal upland cottons traded internationally, destination Far East.

New York cotton futures as at 2 Feb. 2015 (settlement prices):

|          | NY FUTURES  US c/lb |
|----------|---------------------|
| Mar 2015 | 59.89               |
| May      | 60.27               |
| July     | 60.97               |
| Oct      | 61.92               |
| Dec      | 62.67               |
| Mar      | 63.64               |
| May      | 64.32               |

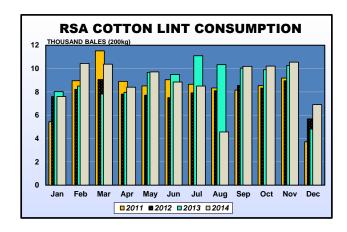
New York JULY cotton futures as at the beginning of each week:



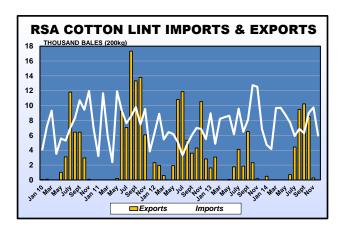
## Local outlook

As far as the local outlook is concerned, the 1<sup>st</sup> estimate for the 2014/15 production year indicates a total crop of 98 925 lint bales, up 105% from the previous season mainly due to interventions implemented under the SA Clothing and Textile Cluster which was

established last year. About 95 325 lint bales are estimated to be produced from RSA grown seed cotton, up 118% from the previous season. The balance of 3 600 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



**GRAND TOTAL** 



## **COTTON CROP REPORT - 1st ESTIMATE** 2014/15 PRODUCTION YEAR 31/01/15 **YIELD** YIELD IRRIGATION **DRYLAND** PRODUCTION OF CROP OF CROP **PRODUCTION HECTARES HECTARES** 200 kg bales HAND **GINNED** kg seed kg seed SO FAR **REGION IRRIGATION DRYLAND** cotton/ha cotton lint PICKED cotton/ha LIMPOPO PROV. 1488 0 4300 11197 0% Loskop 0 1% North & South Flats 530 3900 900 1654 120 0% 0% Dwaalboom/Thabazimbi 0% 0% 0 0 0 0 600 4000 4440 0 0 0% 0% **NORTHERN CAPE** Vaalharts 1255 0 5145 0 11945 0% 0% Lower Orange River 10453 5000 0% 1130 0 0 0% 25317 Rest of Northern Cape 2702 0 5065 0 0% 0% **NORTH WEST** Stella/Setlagoli 1117 4176 5000 2000 25783 0% 0% Tauna 0 0 0 0 0 0% 0% KWAZULU-NATAL 250 1000 3000 500 2250 100% 0% **MPUMALANGA** 100 1490 4000 599 2286 100% 0% **EASTERN CAPE** 0 0% 0% **RSATOTAL** 8762 4770 95325 7196 1420 5% 0% Swaziland\* 0 3500 600 3600 100% 0% 0 Botswana\* 0 0 0 0 0 Namibia\* 0 0 0 0 0 7imbabwe<sup>3</sup> 0 0 0 0 0 Mozambique\*

**ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)** 

4770

1152

10696



8%

0%

98925

8762

Particulars relate to expected purchases of seed cotton by RSA & Swaziland ginners from these countries