



**Date: 2 March 2016**

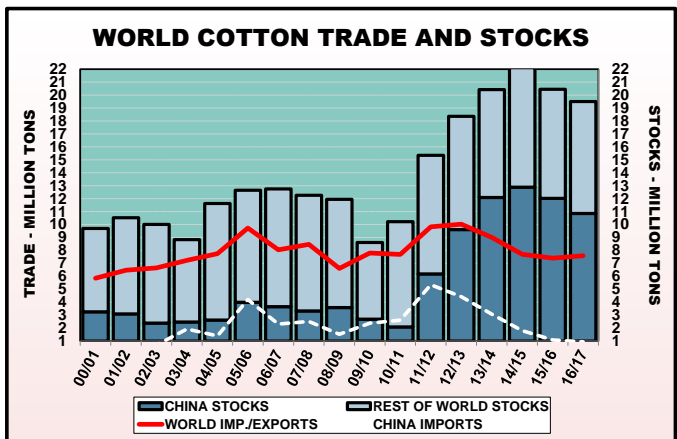
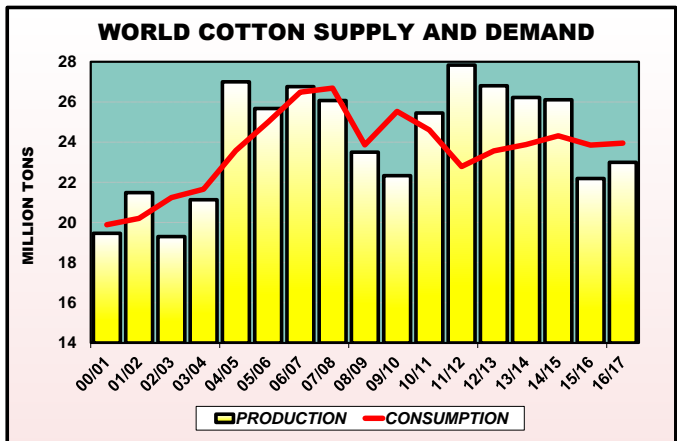
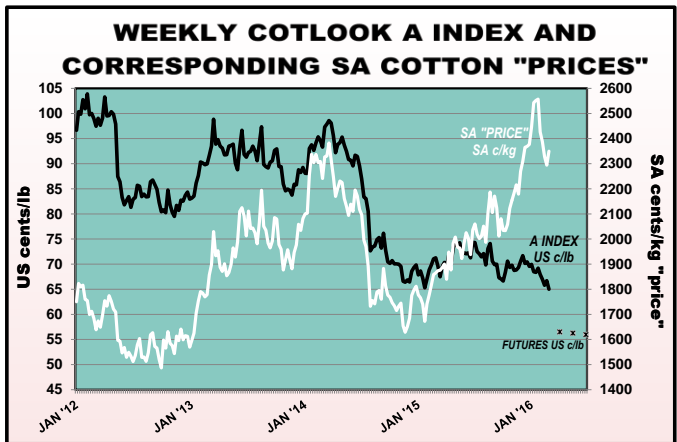
**Reference: 9/3/3/1**

## COTTON MARKET REPORT AS AT 1 MARCH 2016

### International

Cotton prices on international markets as well as futures have dropped to levels not seen since 2009. The recent fall in prices was mainly due to uncertainty about the Chinese reserve stock policy and widespread fears that China could soon start selling cotton from its reserves. This threat seen against the background of the lack of growth in world cotton consumption, the low prices of man-made fibres such as polyester and the record world cotton stocks, are undermining cotton price prospects.

World ending cotton stocks are projected by the International Cotton Advisory Committee (ICAC) to decrease by 8% to 20.5 million tons in 2015/16 which will be the first reduction in world ending stocks in 6 years. China's ending cotton stocks are forecast to decrease by 7% to 12 million tons, the majority of which are held by the Chinese government in its reserves whilst ending cotton stocks for the rest of the world are expected to decline by 9%. According to the ICAC, this reduction in stocks is due to the decline in world cotton production in 2015/16 and not as a result of growth in consumption. In fact, world cotton consumption is projected by the ICAC to decrease by 2% in 2015/16 mainly due to the low prices for polyester, cotton's main competing fibre. Cotton consumption in China, the world's largest consumer of cotton and polyester, has declined continuously over the past 6 years. Cotton consumption in the other two largest cotton consuming countries, namely India and Pakistan, are forecasted by the ICAC to decline this season by 2% and 12% respectively. In contrast, cotton consumption in Vietnam, the world's 5th largest cotton consuming country, is expected to increase by 22% in 2015/16 as China continues to invest in spinning mills there.



World cotton production is forecast by the ICAC to decrease by about 15% in 2015/16 due to a reduction in the world's average yield as well as a reduction in cotton area, respectively as a result of adverse weather conditions as well as depressed cotton prices. Aside from Australia where cotton production is forecast to increase by 6%,

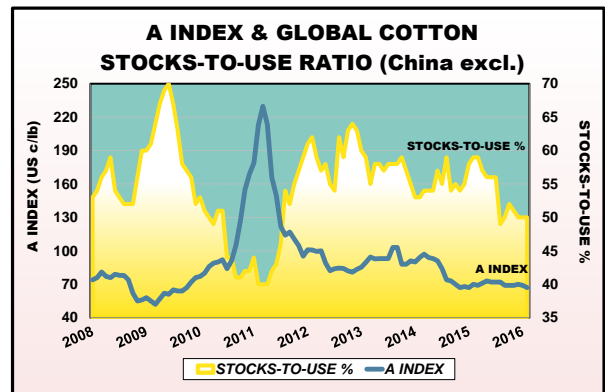
production in the top 10 cotton producing countries all declined in 2015/16.

World cotton trade is expected by the ICAC to decrease by about 4% in 2015/16 after declining by 15% in 2014/15 mainly due to the drop in Chinese cotton imports.

**Estimated world supply and demand for cotton for the 2014/15 season and projections for 2015/16 and 2016/17 (seasons beginning 1 August):**

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

(million metric tons)	2014/15	2015/16	2016/17
Beginning stocks	20.4	22.1	20.4
Production	26.1	22.2	23.0
Consumption	24.3	23.9	24.0
Exports	7.7	7.4	7.6
Imports	7.6	7.4	7.6
Ending stocks	22.1	20.4	19.5
Ending stocks/use (China excluded)	55%	50%	50%
<b>A Index (US c/lb)</b>	<b>71</b>	<b>64-81</b>	



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

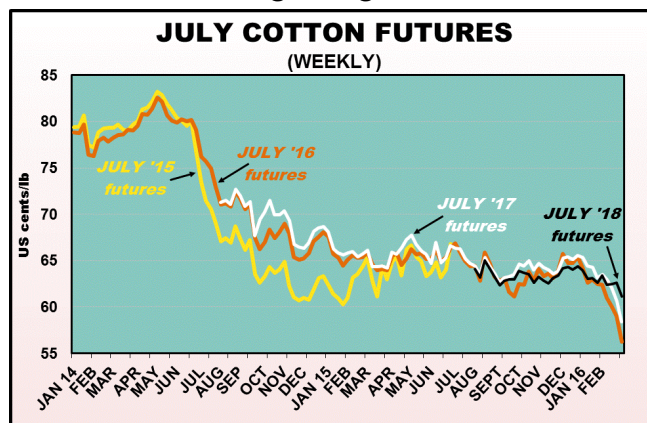
	DERIVED RSA	
	A INDEX	"PRICE"
	Avg: US c/lb	Avg: SA c/kg
Last week (22/02 - 26/02/16)	65.71	2265.65
February 2016	66.57	2350.39
<b>Today (01/03/16)</b>	<b>64.30</b>	<b>2257.32</b>
January 2016	68.84	2516.95
Today a year ago	71.25	1865.21
Today two years ago	93.30	2241.12

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 1 March 2016 (settlement prices):**

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

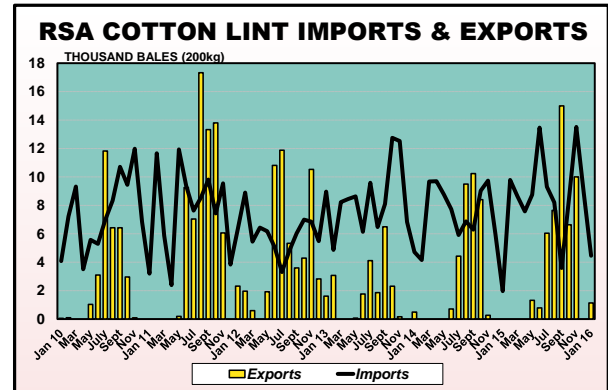
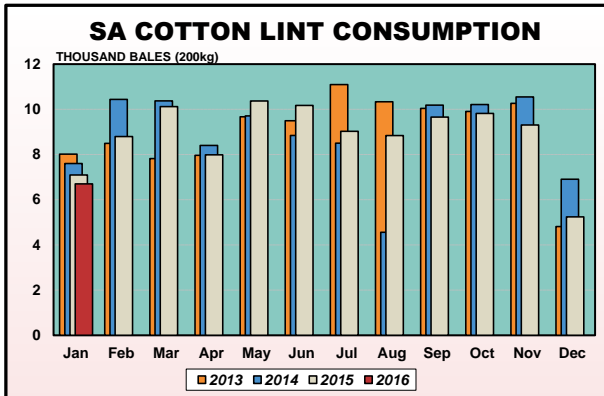
NY FUTURES	
	US c/lb
May 2016	56.11
July	56.14
Oct	56.04
Dec	55.93
Mar 2017	56.77
May	57.47
July	58.12



**Local outlook**

As far as the local outlook is concerned, the 2<sup>nd</sup> estimate for the 2015/16 production year indicates a total crop of 53 720 lint bales, down 44% from the previous season and 5% less than the first crop estimate. About 52 820 lint bales are estimated to be

produced from RSA grown seed cotton, down 44% from the previous season. The balance of 900 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



**COTTON CROP REPORT - 2nd ESTIMATE**

**2015/16 PRODUCTION YEAR**

29/02/2016

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint	% OF CROP HAND PICKED	% OF CROP GINNED SO FAR
<b>LIMPOPO PROV.</b>							
Loskop	869	0	4400	0	6691	1%	0%
North & South Flats	5	551	3499	400	416	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	0	0%	0%
Weipe	368	0	3000	0	2040	0%	0%
<b>NORTHERN CAPE</b>							
Vaalharts	1151	0	4841	0	10308	0%	0%
Lower Orange River	786	0	4500	0	6543	0%	0%
Rest of Northern Cape	1402	0	5632	0	14608	0%	0%
<b>NORTH WEST</b>							
Stella/Setlagoli	1271	579	4500	800	11438	0%	0%
Taung	0	0	0	0	0	0%	0%
<b>KWAZULU-NATAL</b>	170	300	800	400	470	100%	0%
<b>MPUMALANGA</b>	28	269	3000	330	306	100%	0%
<b>EASTERN CAPE</b>	0	0	0	0	0	0%	0%
<b>RSA TOTAL</b>	<b>6050</b>	<b>1699</b>	<b>4610</b>	<b>525</b>	<b>52820</b>	2%	0%
Swaziland*	0	1000	0	500	900	100%	0%
Botswana*	0	0	0	0	0		
Namibia*	0	0	0	0	0		
Zimbabwe*	0	0	0	0	0		
Mozambique*	0	0	0	0	0		
<b>GRAND TOTAL</b>	<b>6050</b>	<b>2699</b>	<b>4610</b>	<b>516</b>	<b>53720</b>	3%	0%

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

Posbus / P O Box 912-232, Silverton, Pretoria, 0127  
 Tel: +27 (12) 804 1462 - 7; Faks/Fax: +27 (12) 804 8616;  
 Katoen SA Gebou, Cycadoord 90, Uit Watermeyerstraat, Val de Grace X10/  
 Cotton SA Building, 90 Cycad Place, Off Watermeyer Street, Val de Grace x10  
 E-mail: henniebruwer@cotfonsa.org.za; Website: [www.cotfonsa.org.za](http://www.cotfonsa.org.za)

