



Date: 3 June 2014

Reference: 9/3/3/1

## COTTON MARKET REPORT AS AT 2 JUNE 2014

### International

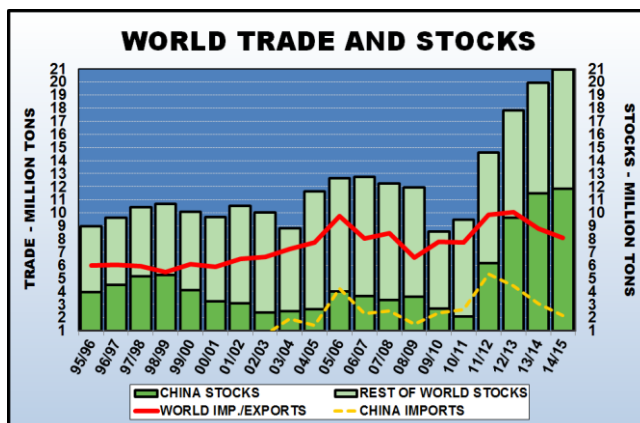
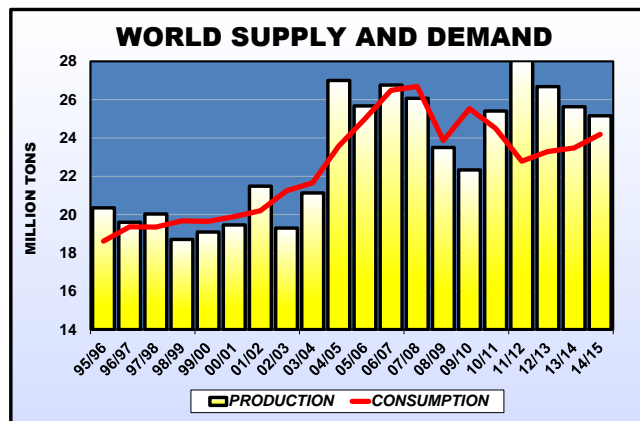
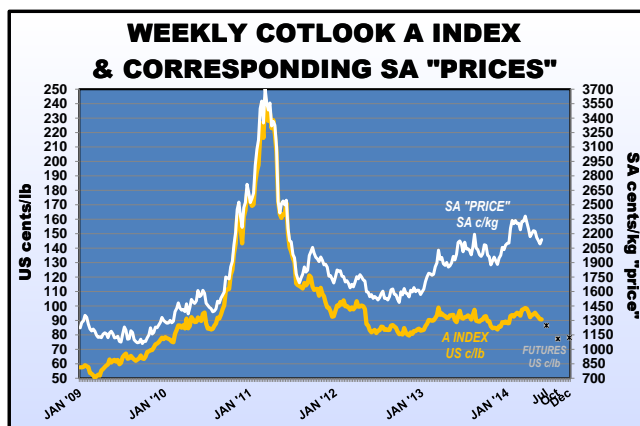
According to the ICAC (International Cotton Advisory Committee) world cotton trade is expected to decline for the 2<sup>nd</sup> consecutive season. In 2013/14 the volume of cotton traded worldwide fell by 12% and is expected to decline by a further 8% in 2014/15. This is mainly due to reduced shipments to China where the consumption of cotton has also dropped by about 23% over the past 4 years.

In contrast, cotton shipments to countries in other parts of Asia are forecast by the ICAC to increase as the spinning industry has shifted away from China to other countries in the Far East.

According to the ICAC much of this shift is due to changes in China's cotton policy. In 2011/12 China started buying cotton for its national reserve and since 2011/12 the price of cotton has also been significantly higher in China than in the rest of the world which hurt the local spinning industry but benefitted the spinning industries in countries such as India, Pakistan, Bangladesh, Indonesia and Vietnam.

World cotton mill use is expected by the ICAC to increase by 3% in 2014/15 causing larger imports by some consuming countries. This will however not be enough to offset the drop in Chinese imports which are expected to decline by 30% in 2014/15. Because most of the USA's and Australia's cotton exports were destined for China in the past, their export volumes are expected by the ICAC to fall in 2014/15 as they look for new markets.

Although world cotton area for 2014/15 is forecast by the ICAC to remain fairly stable at about 33 million hectares, world cotton



production is forecast at 25.2 million tons, down 2% from the current season mainly due to unfavourable weather conditions resulting in lower yields.

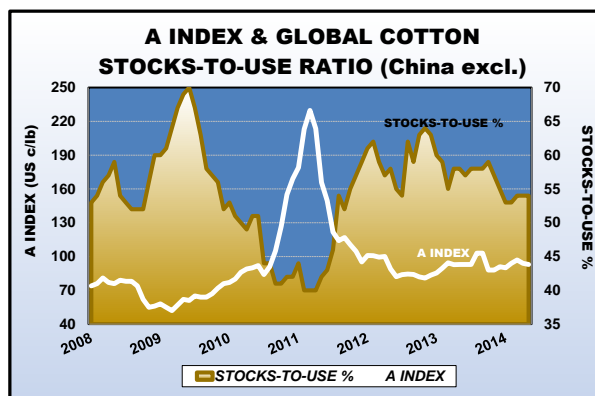
World ending stocks are forecast by the ICAC

**Estimated world supply and demand for cotton for the 2012/13 season and projections for 2013/14 and 2014/15 (seasons beginning 1 August):**

(million metric tons)	2012/13	2013/14	2014/15
Beginning stocks	14.6	17.8	19.9
Production	26.7	25.6	25.2
Consumption	23.3	23.5	24.2
Exports	10.1	8.8	8.1
Imports	9.9	8.8	8.1
Ending stocks	17.8	19.9	20.9
Ending stocks/use (China excluded)	55%	54%	55%
<b>A Index (US c/lb)</b>	<b>88</b>	<b>88-94</b>	<b>71-106</b>

to increase by 12% in 2013/14 and then expand by a further 5% in 2014/15 to a record 20.1 million tons. The ICAC expects that the accumulation of cotton stocks will have an impact on cotton prices in 2014/15, particularly as a large proportion of the stocks will be held outside China.

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



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

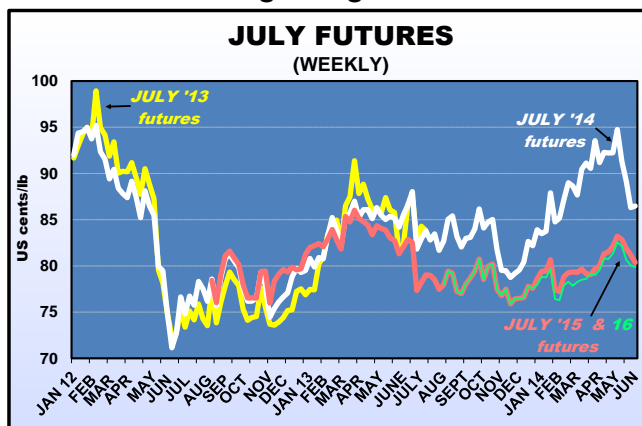
	<b>A INDEX</b> <i>Avg: US c/lb</i>	<b>DERIVED RSA "PRICE"</b> <i>Avg: SA c/kg</i>
Last week (26/05 - 30/05/14)	90.25	2095.79
May 2014	92.78	2152.26
<b>Today (02/06/14)</b>	<b>90.70</b>	<b>2138.89</b>
April 2014	94.15	2213.05
Today a year ago	88.80	1987.67
Today two years ago	81.80	1564.39

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 June 2014 (settlement prices):**

	<b>NY FUTURES</b> <i>US c/lb</i>
July 2014	86.48
October	77.23
December	78.06
March 2015	78.34
May	79.44
July	80.37
Oct	78.91

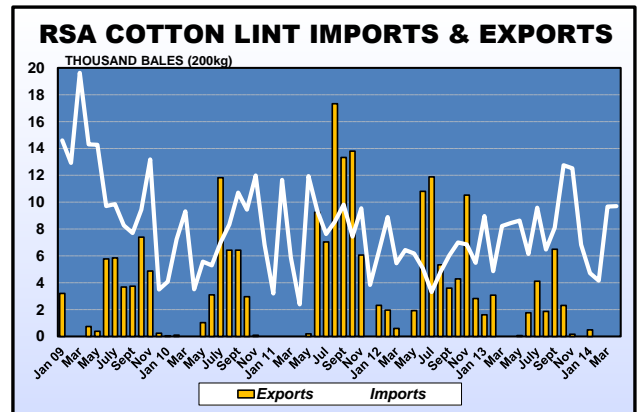
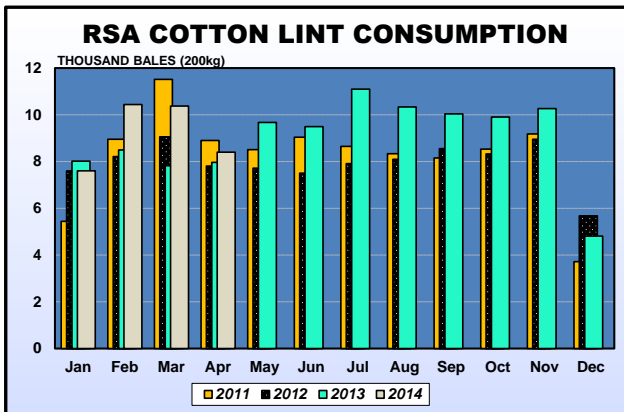
**New York JULY cotton futures as at the beginning of each week:**



**Local outlook**

As far as the local outlook is concerned, the 5<sup>th</sup> estimate for the 2013/14 production year indicates a total crop of 47 995 lint bales, the same as the previous month's estimate. About 43 495 lint bales are estimated to be

produced from RSA grown seed cotton, up 67% from the previous season. The balance of 4 500 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



**COTTON CROP REPORT - 5th ESTIMATE**

**2013/14 PRODUCTION YEAR**

30/05/14

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint	CROP % HAND PICKED	% OF CROP GINNED SO FAR
<b>LIMPOPO PROV.</b>							
Loskop	1298	0	4200	0	9540	1%	0%
North & South Flats	0	1217	0	800	1704	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	0	0%	0%
Weipe	800	0	4000	0	5920	0%	0%
<b>NORTHERN CAPE</b>							
Vaalharts	973	0	5059	0	9108	0%	0%
Lower Orange River	504	0	4613	0	4301	0%	0%
Rest of Northern Cape	970	0	5127	0	9200	0%	0%
<b>NORTH WEST</b>							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	0	0	0	0	0	0%	0%
<b>KWAZULU-NATAL</b>	200	600	3280	800	2068	93%	0%
<b>MPUMALANGA</b>	0	1370	0	673	1654	100%	0%
<b>EASTERN CAPE</b>	0	0	0	0	0	0%	0%
<b>RSA TOTAL</b>	<b>4745</b>	<b>3187</b>	<b>4537</b>	<b>745</b>	<b>43495</b>	<b>8%</b>	<b>0%</b>
Swaziland*	0	4000	0	600	4500	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>4745</b>	<b>7187</b>	<b>4537</b>	<b>664</b>	<b>47995</b>	<b>17%</b>	<b>0%</b>

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

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

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