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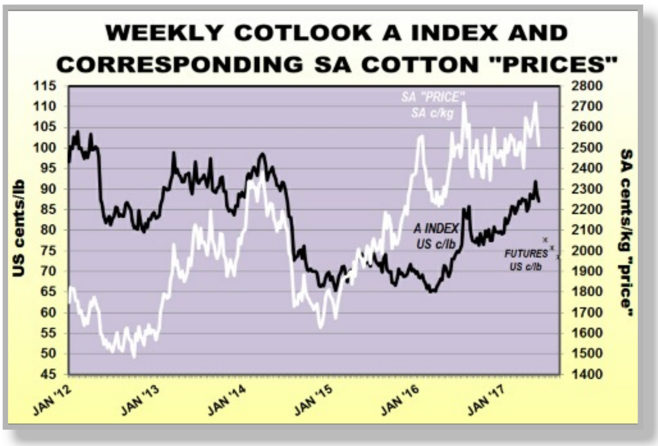
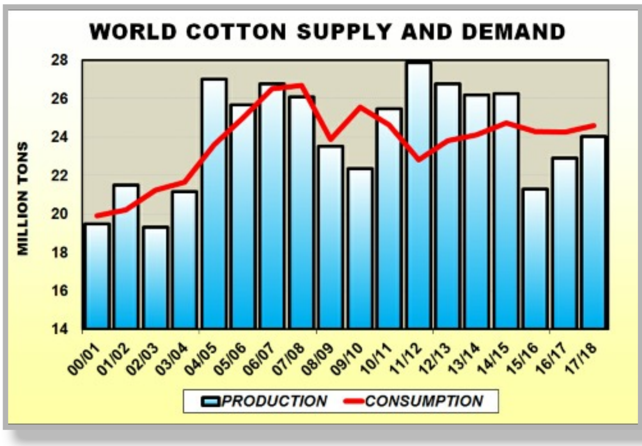
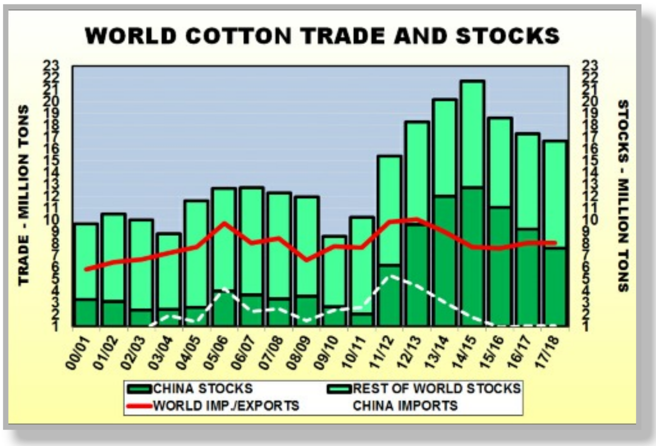
# COTTON SA MARKET REPORT AS AT 1 JUNE 2017

The International Cotton Advisory Committee (ICAC) estimates that world cotton production will reach 22.9 million tons in 2016/17 while world mill use is projected at 24.3 million tons, which represents the second consecutive season where mill use has exceeded production. As a result, world ending cotton stocks are forecast to decrease by 7% to 17.3 million tons in 2016/17 but according to the ICAC this decline will occur entirely within China where cotton stocks at the end of July 2017 are projected to decrease by 17% to 9.2 million tons. Cotton stocks held outside of China, however, are forecast by the ICAC to rise by 6% to 8 million tons. Despite this growth in stocks outside of China, cotton prices as measured by the Cotlook A Index (an indicator of international cotton prices) have averaged 82 US c/lb from August 2016 through May 2017, which is well above the long-term average of 70 US c/lb.

Supported by higher cotton prices, the ICAC projects that world cotton production could increase by 5% in 2017/18 following the 7% production increase in 2016/17. This together with the expectation of a further 13% increase in world cotton stocks outside of China in 2017/18, could place downward pressure on cotton prices later in the 2017/18 season.




The ICAC projects that Cotton production in India, the world's largest cotton producer, could increase by 3% to 6 million tons in 2017/18 whilst China's cotton production is expected to increase by 3% to 5 million tons. Cotton production in the United States is projected to rise by 12% to 4.2 million tons in 2017/18, which is the largest volume in 10 years. Pakistan's cotton production is projected by the ICAC to increase by 13% to 1.9 million tons due to more area under cotton in 2017/18 as well as improved yields.

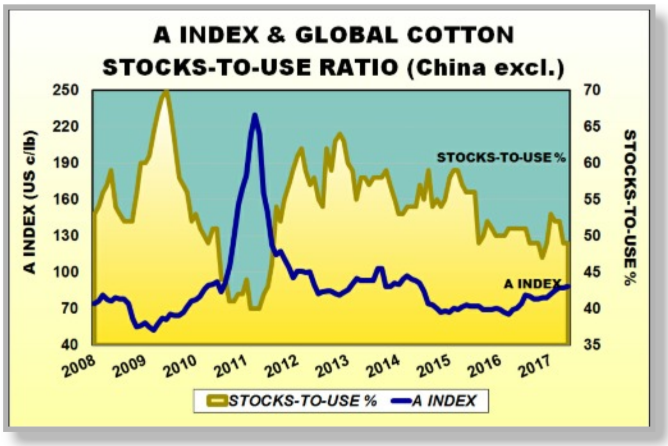
After falling by 1% to 16.5 million tons in 2016/17, mill use outside of China may increase by 2% to 16.9 million tons in 2017/18 due to the expected stronger growth in the global economy in 2017 and 2018, according to the ICAC.

As cotton production is projected to grow in most of the large cotton consuming countries, there will be a decrease in the need to import cotton in 2017/18 and the ICAC therefore expects world trade to remain unchanged from 2016/17 at 8.1 million tons.

**Estimated world supply and demand for cotton for the 2015/16 season and projections for 2016/17 and 2017/18 (seasons beginning 1 August):**

| *(million metric tons)* | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Beginning stocks | 21.7 | 18.6 | 17.3 |
| Production | 21.3 | 22.9 | 24.0 |
| Consumption | 24.3 | 24.3 | 24.6 |
| Exports | 7.6 | 8.1 | 8.1 |
| Imports | 7.5 | 8.1 | 8.1 |
| Ending stocks | 18.6 | 17.3 | 16.7 |
| Ending stocks/use (China excluded) | 45% | 49% | 54% |
| ***A Index (US c/lb)*** | ***70*** | ***78-83*** | ***49-78*** |

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




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

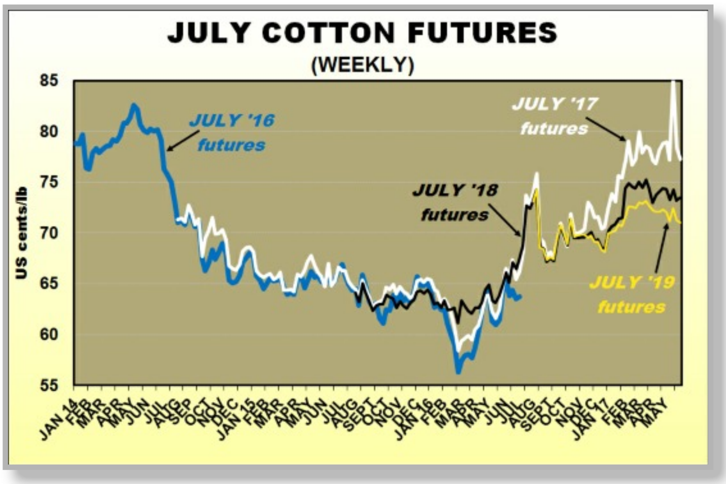
| | A INDEX<br>Avg: US c/lb | DERIVED RSA "PRICE"<br>Avg: SA c/kg |
|---|---|---|
| Last week (22/05 - 26/05/17) | 87.68 | 2567.66 |
| May 2017 | 88.53 | 2623.59 |
| **Today (01/06/17)** | **86.95** | **2516.15** |
| April 2017 | 86.91 | 2606.21 |
| *Today a year ago* | *72.75* | *2551.45* |
| *Today two years ago* | *72.30* | *1981.20* |

*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 June 2017 (settlement prices):**

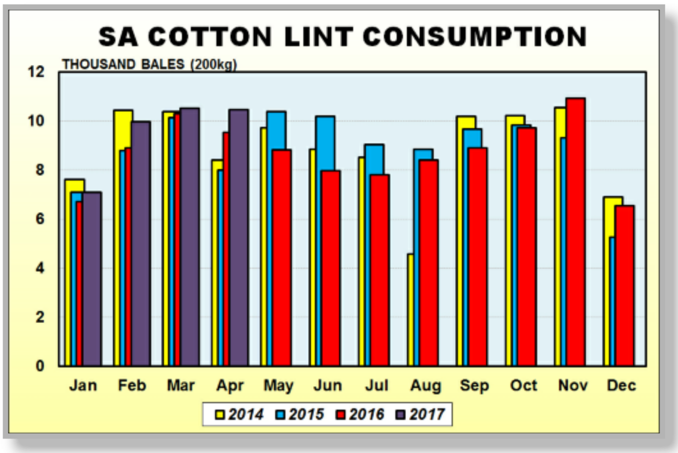
| | NY FUTURES<br>US c/lb |
|---|---|
| July 2017 | 77.63 |
| Oct | 75.69 |
| Dec | 73.50 |
| Mar 2018 | 73.14 |
| May | 73.41 |
| July | 73.70 |
| Oct | 71.70 |

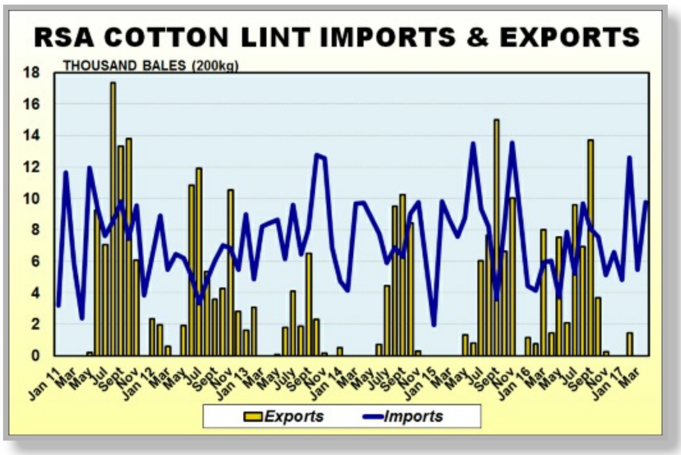
**New York JULY cotton futures as at the beginning of each week:**



## Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2016/17 production year indicates a total crop of 75 836 lint bales, up 50% from the previous season and 1% up from the previous month's estimate. RSA dryland hectares are up by 329% mainly due to the availability of cotton stripper harvester technology which was successfully demonstrated under the Cotton Cluster. About 73 836 lint bales are estimated to be produced from RSA grown seed cotton, up 46% from the previous season. The balance of 2000 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.




**COTTON CROP REPORT - 5th ESTIMATE 2016/17 PRODUCTION YEAR 31/05/2017**

| 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 |
|---|---|---|---|---|---|---|---|
| **LIMPOPO PROV.** | | | | | | | |
| Loskop | 2406 | 0 | 4000 | 0 | 17323 | 0% | 4% |
| North & South Flats | 128 | 5105 | 4000 | 1000 | 10111 | 0% | 4% |
| Dwaalboom/Thabazimbi | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| Limpopo Other | 467 | 45 | 4200 | 1000 | 3612 | 0% | 4% |
| Weipe | 1078 | 0 | 4500 | 0 | 8974 | 0% | 0% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 1319 | 0 | 4739 | 0 | 11564 | 0% | 0% |
| Lower Orange River | 391 | 0 | 4500 | 0 | 3255 | 0% | 0% |
| Rest of Northern Cape | 270 | 0 | 4727 | 0 | 2498 | 0% | 0% |
| **NORTH WEST** | | | | | | | |
| Stella/Delareyville/Setlagoli | 522 | 1207 | 5000 | 1145 | 7385 | 10% | 0% |
| Taung | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| **KWAZULU-NATAL** | 380 | 1500 | 4211 | 600 | 4545 | 63% | 0% |
| **MPUMALANGA** | 0 | 2912 | 0 | 872 | 4570 | 100% | 0% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| **RSA TOTAL** | **6961** | **10769** | **4384** | **926** | **73836** | **11%** | **2%** |
| Swaziland* | 0 | 2000 | 0 | 600 | 2000 | 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 | | |
| **GRAND TOTAL** | 6961 | 12769 | 4384 | 875 | 75836 | 13% | 2% |

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

Sustainable Cotton Cluster

A programme of Cotton SA

ICA BREMEN CERTIFIED LABORATORY

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