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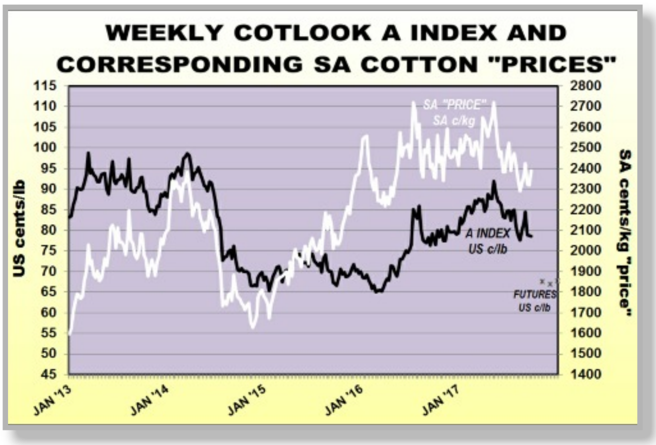
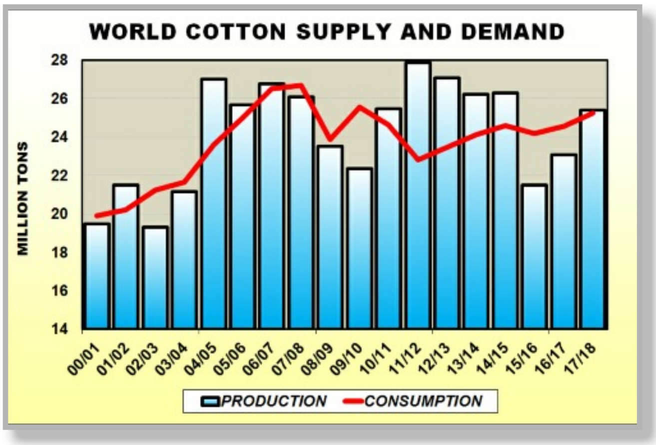
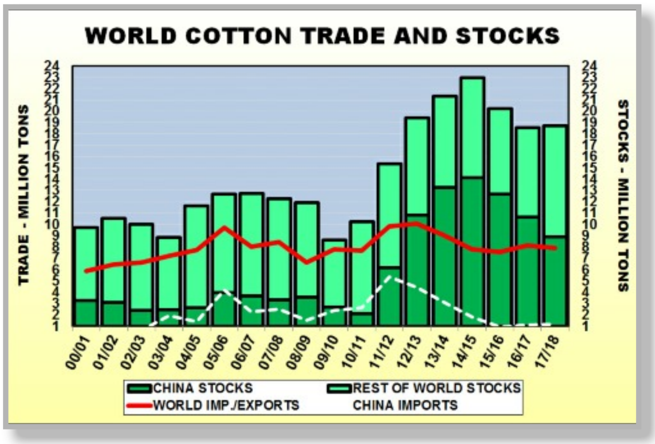
# COTTON SA MARKET REPORT AS AT 2 OCTOBER 2017

According to the International Cotton Advisory Committee (ICAC), world cotton area is expected to increase in 2017/18 by about 3 million ha to over 32 million ha mainly due to higher cotton prices during 2016/17 and better cotton price ratios compared to competing crops. World cotton production is projected by the ICAC to increase by 10% during 2017/18 reaching 25.4 million tons. Cotton production in India, the world's largest cotton producer, is projected by the ICAC to grow by 4% to 6 million tons whilst cotton production in China, the world's second largest cotton producing country is expected to increase by 7% to 5.3 million tons. The largest gain in production of 23% to 4.6 million tons is projected in the USA, the world's third largest cotton producer.




The larger international cotton crop and resulting increase in world ending cotton stocks outside of China, could place downward pressure on cotton prices. On the other hand, there are two factors supporting prices at this stage: firstly, China is reducing their reserve cotton stocks much more orderly and rapidly than thought possible which could mean that the Chinese are on the verge of becoming a major cotton importer again after a period of building cotton stocks. The second factor is the increase in the price of polyester and the fact that China has come to recognize the significant environmental damage caused by polyester production with water and air pollution exceeding acceptable standards by far.

After showing little growth over the past two years, world cotton consumption for 2017/18 is forecast by the ICAC to recover by 2.7% to 25.2 million tons due to an expected stronger growth for the global economy. After several seasons of decline, cotton consumption in China, the world's largest cotton consuming country, is projected to rise by 1.5% to over 8 million tons in 2017/18. Cotton consumption in India and Pakistan, the world's second and third largest cotton consuming countries is projected by the ICAC to increase in 2017/18 by 3% and 3.7% respectively.

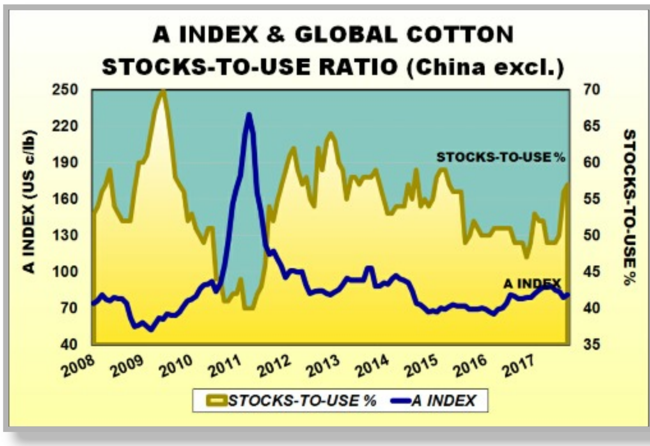
World cotton trade is projected by the ICAC to remain more or less stable at 8 million tons in 2017/18 with the USA remaining the largest cotton exporter accounting for 40%, or 3.1 million tons of world cotton exports. Bangladesh will remain the largest importer in 2017/18 accounting for 18%, or 1.4 million tons of world cotton imports.

Although the ICAC expects world ending cotton stocks to increase by less than 1% during 2017/18, world cotton stocks outside China are projected to increase by about 23%.

**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 | 23.0 | 20.2 | 18.6 |
| Production | 21.5 | 23.1 | 25.4 |
| Consumption | 24.2 | 24.6 | 25.2 |
| Exports | 7.6 | 8.2 | 7.9 |
| Imports | 7.6 | 8.0 | 7.9 |
| Ending stocks | 20.2 | 18.6 | 18.7 |
| Ending stocks/use (China excluded) | 46% | 48% | 57% |
| ***A Index (US c/lb)*** | ***70*** | ***83*** | ***58-84*** |

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




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

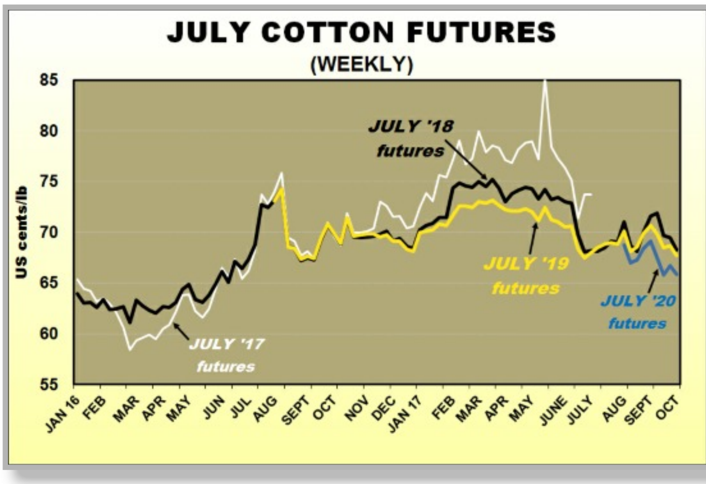
| | A INDEX<br>Avg: US c/lb | DERIVED RSA "PRICE"<br>Avg: SA c/kg |
|---|---|---|
| Last week (25/09 - 29/09/17) | 79.03 | 2366.19 |
| September 2017 | 80.60 | 2363.39 |
| **Today (02/10/17)** | **78.55** | **2389.45** |
| August 2017 | 79.37 | 2344.51 |
| *Today a year ago* | *77.50* | *2358.84* |
| *Today two years ago* | *66.90* | *2082.24* |

*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 Oct. 2017 (settlement prices):**

| | NY FUTURES<br>*US c/lb* |
|---|---|
| Dec 2017 | 67.57 |
| Mar 2018 | 67.02 |
| May | 67.71 |
| July | 68.25 |
| Oct | 66.79 |
| Dec | 67.44 |
| Mar 2019 | 67.51 |

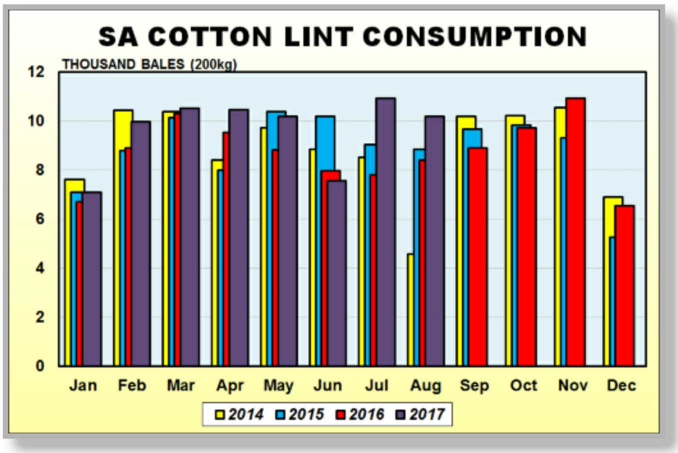
**New York JULY cotton futures as at the beginning of each week:**

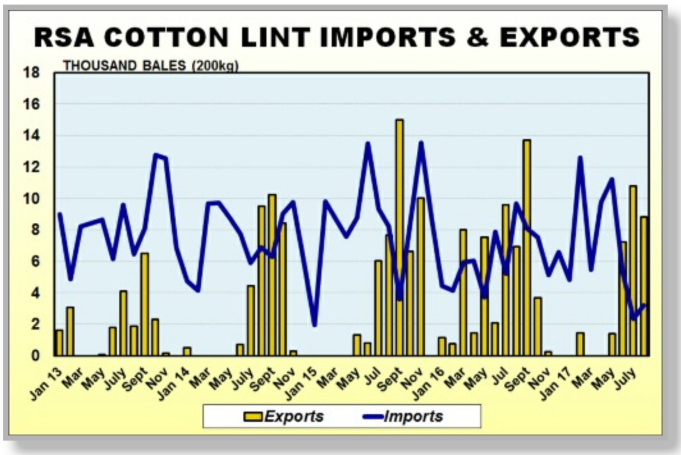


## Local outlook

As far as the local outlook is concerned, the 9th estimate for the 2016/17 production year indicates a total crop of 84 611 lint bales, up 67% from the previous season and 2% up from the previous month's estimate.

About 82 611 lint bales are estimated to be produced from RSA grown seed cotton, up 64% from the previous season. The balance of 2000 lint bales relates to expected Swaziland produced cotton ginned by the Swaziland gin.




**COTTON CROP REPORT - 9th ESTIMATE** **2016/17 PRODUCTION YEAR** **29/09/2017**

| 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 | 2452 | 0 | 4455 | 0 | 19663 | 0% | 51% |
| North & South Flats | 128 | 5105 | 4200 | 1390 | 13740 | 0% | 51% |
| Dwaalboom/Thabazimbi | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| Limpopo Other | 467 | 45 | 4850 | 800 | 4142 | 0% | 51% |
| Weipe | 1078 | 0 | 4500 | 0 | 8974 | 0% | 70% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 1272 | 0 | 5701 | 0 | 13415 | 0% | 86% |
| Lower Orange River | 410 | 0 | 3852 | 0 | 2922 | 0% | 98% |
| Rest of Northern Cape | 557 | 0 | 5511 | 0 | 6491 | 0% | 91% |
| **NORTH WEST** | | | | | | | |
| Stella/Delareyville/Setlagoli | 540 | 1477 | 2749 | 1015 | 5520 | 10% | 98% |
| Taung | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| **KWAZULU-NATAL** | 397 | 1500 | 2784 | 600 | 3640 | 69% | 51% |
| **MPUMALANGA** | 0 | 2913 | 0 | 764 | 4104 | 100% | 42% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| **RSA TOTAL** | **7301** | **11040** | **4589** | **1065** | **82611** | **9%** | **67%** |
| 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** | 7301 | 13040 | 4589 | 994 | 84611 | 11% | 65% |

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

Sustainable Cotton Cluster
A programme of Cotton SA

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