



COTTON MARKET REPORT

MARCH 2021

ONGOING UNCERTAINTY FOR A RECOVERY WITH TIGHTER SUPPLY

International

Global cotton use is expected to increase by 8% in 2020/21 as manufacturing activities continue to show signs of recovery. Global cotton mill-use is estimated at 24.5 million tons with China consuming 8.1 million tons (31% of world total). The second largest consuming country, India, is expected to reach 5.45 million tons. Pakistan is expected to consume 2 million tons, with Vietnam and Turkey consuming an estimated 1.5 million tons each, and Bangladesh about 1.4 million tons.

As the global consumption estimate was revised up this month, the global production estimate was revised down to 24.1 million tons, further increasing the supply gap and leading to an additional downward revision of the global ending stock levels. The stock level outside China has been decreased this month to 12 million tons, down from the previous season's record-high levels.

Lower stock levels provide additional support for prices which have been increased over the course of the current season, supported by falling production and rising consumption. Following a high at the end of February, prices have fallen during March with projections for the forward season anticipating production increases and uncertainty in consumption growth.

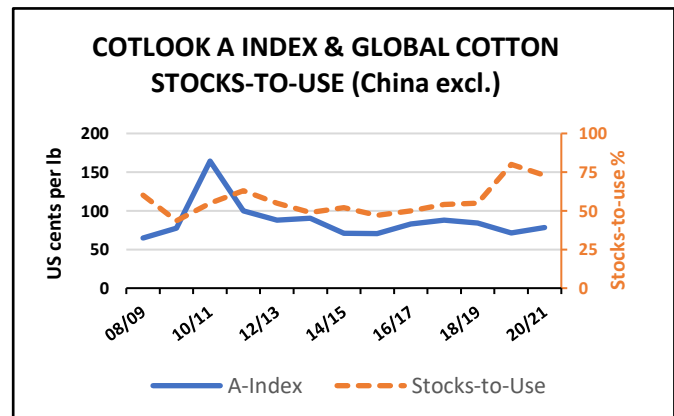
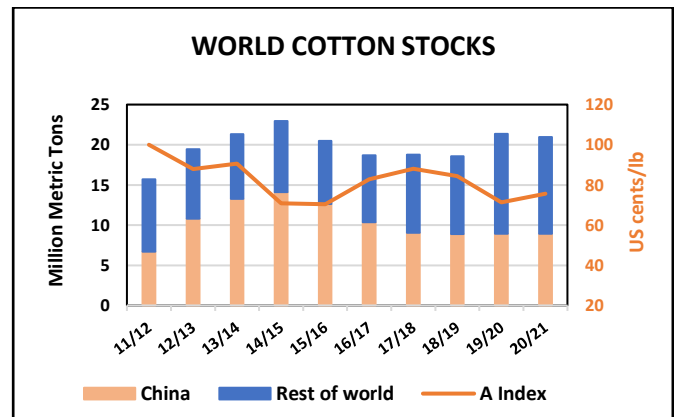
Global trade of cotton was revised upward for 2020/21 to 9.5 million tons this month. Exports from India are expected to increase this season. Trade tensions between India and Pakistan that kept Indian exports out of Pakistan, appear to have been mitigated with Pakistan lifting a two-year ban. Pakistan, facing a supply gap, is expected to increase imports from the USA, Brazil and Africa.

The pandemic-induced economic slowdown overshadowed the trade tensions between the USA and China that had impacted markets since 2018. Phase-one of the US/China trade agreement came into force with no current indication for the next

phase of agreements for mitigation. The market remains susceptible to several outside influences which may override the tighter fundamentals of supply and demand.

WORLD COTTON BALANCE SHEET

	Aug-Jul	2020/21	
	2019/20	February	March
Million Metric Tons Lint			
Beginning Stocks	18.56	21.37	21.37
Production	26.34	24.20	24.11
Consumption	22.77	24.46	24.54
Ending Stocks	21.37	21.11	20.94
Stocks/ Use (excl. China)	80%	74%	73%



International Cotton Prices

The price projection for the 2020/21 year-end average of the Cotlook A Index is 78.5 cents per pound this month.

<i>(Quotes in US cents per pound)</i>	Today	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	87.65	68.20	98.50	61.50	87.05
NY Futures Nearby Contract ^a	80.88	61.84	92.33	48.41	77.36
Basis ^b	6.77	5.43	8.58	10.74	9.54
2020/21 average to date	80.75				
2019/20 average	71.33				

^a Previous day's close

^b Current A-Index minus Nearby NY (previous close)

Source: ICAC

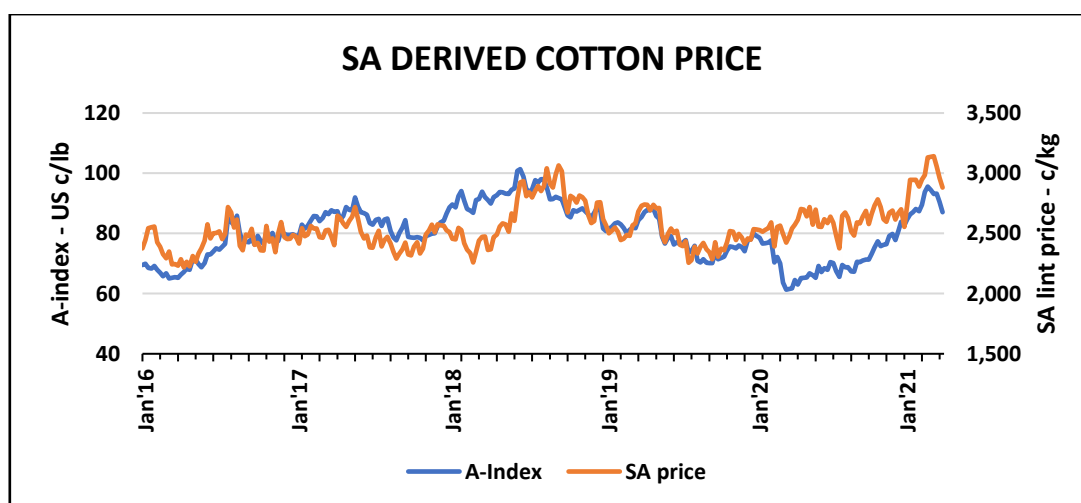
Local

The 2020/21 plantings are considerably lower than the previous season which would lead to a much lower cotton crop. Currently the estimated crop is just over 80 000 lint bales.

Many farmers have turned to food crops while the lateness of the marketing of the previous season's crop contributed to a contraction in planted area. The significant improvement in the international cotton price over the last twelve months will give rise to the increase of the relative profitability of cotton production, both under dryland and irrigated conditions, in comparison with grains or oilseeds in the 2020/21 season going forward.

However, the cotton industry is positive that by addressing the internal challenges, growth could be restored in 2021/22 and beyond.

RSA CROP 200 Kg Lint bales	2020/21 2nd Estimate	2020/21 3rd Estimate	2019/20 Final Estimate
Ha Irrigation	5 550	5 831	11 543
Ha Dryland	10 321	10 955	16 132
Total Ha	15 871	16 786	27 675
Yield: kg seed cotton per ha			
Irrigation	4 475	4 543	4 393
Dry land	1 604	1 576	1 206
TOTAL BALES	79 800	80 028	134 230



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