



COTTON MARKET REPORT

JANUARY 2023

PRODUCTION TO OUTPACE CONSUMPTION DESPITE CHALLENGES

International

The 2022/23 global cotton crop has suffered major losses on the production side. The USA and Pakistan were devastated by drought and flooding, while West Africa faced a severe pest infestation. Pakistan could lose as much as 35% of its entire crop! Among the large producers, only China, India and Brazil are currently posting production gains.

Despite these issues consumption is still expected to be lower than production. Consumption is 2.67 million tons lower because of the general economic slowdown caused by high inflation, reaction to interest rate increases by several federal reserve banks and fear of a recession.

Currently, the ICAC projects global production at 24.69 million tons and consumption at 23 million tons.

The fact that the global economic indicators are improving is encouraging but the balance of risks remain tilted downward. However, adverse risks have moderated since the last quarter of 2022.

China's economy has started to recover from pandemic restrictions and its manufacturing and services sectors have posted positive gains for the first time in four months. China is a significant player in the entire cotton sector: it is the largest producer, consumer and importer of cotton and is the world leader in textile production and export. This means that any adverse conditions in China impact the world cotton and textile markets.

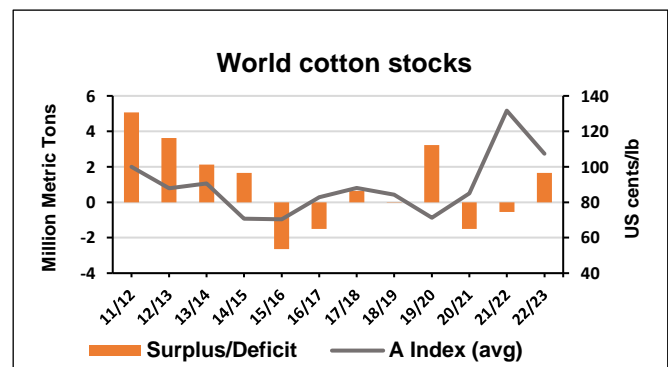
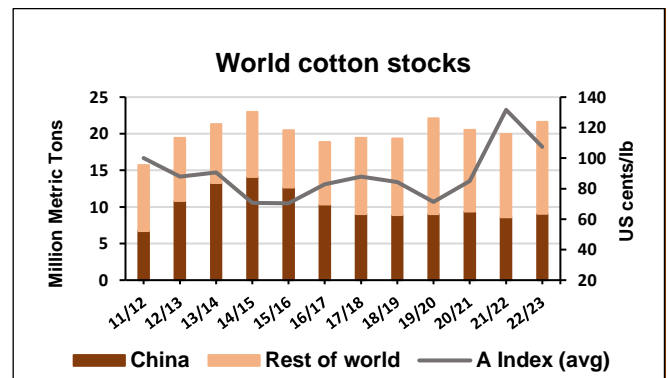
With improvements in China's economy and globally positive news, there is reason to look optimistically to the future.

The Secretariat's current price forecast of the season average A-Index ranges from US 98 cents to US 152 cents, with a midpoint at US 115 cents per pound.

Source: ICAC

World cotton balance sheet

	Aug-Jul	2022/23	
	2021/22	Dec	Jan
Million Metric Tons Lint			
Beginning Stocks	20.54	19.79	19.97
Production	25.15	24.27	24.69
Consumption	25.70	23.00	23.03
Ending Stocks	19.97	21.05	21.63
Stocks/ Use (excl. China)	65.35%	75.83%	79.63%



International Cotton Prices

<i>(Quotes in US cents per pound)</i>	01/02/23	Season Low	Season High	1 Year ago	2 Years ago
Cotlook A Index	101.35	89.20	135.20	141.10	87.35
NY Futures Nearby Contract ^a	86.22	72.00	122.20	127.33	80.03
Basis^b	15.13	6.40	35.9	13.53	6.71
2022/23 average to date	107.48				
2021/22 average	131.68				

^a Previous day's close

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

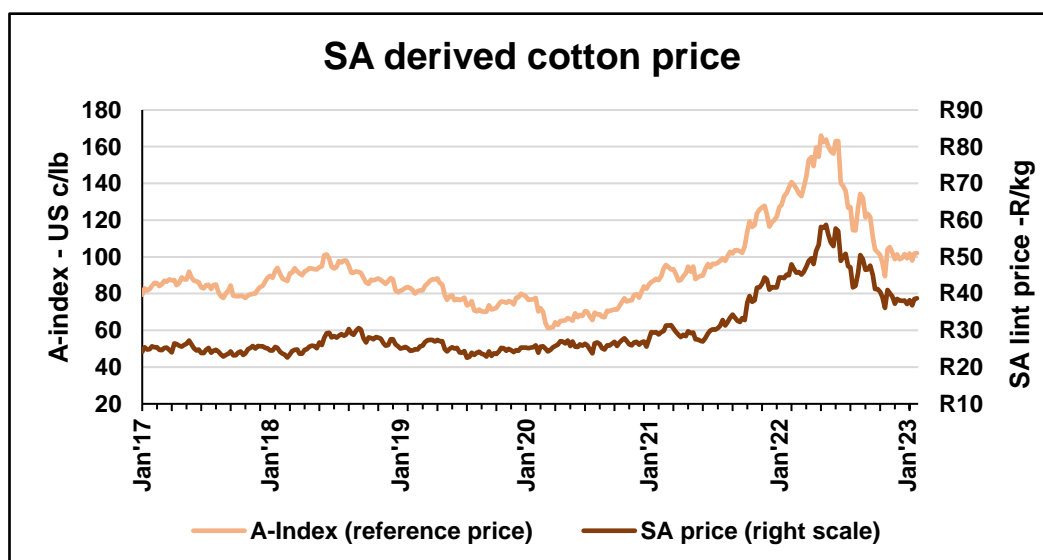
Local Outlook

The first official crop estimate for 2022/23 is 62 272 lint bales, about 15% less than the year before.

Excessive rain after planting has forced farmers in some production areas to abandon their crops before the growing process could begin. Moreover, favourable prices of competing crops have resulted in cotton plantings not increasing over the previous season. The increasing power outages also began to take its toll especially in the areas where irrigation could not take place at the scheduled times. Yields in general will be negatively affected by this.

Competitive crops such as maize (the dominant cash crop in South Africa) have a shorter growing season than cotton. Cotton is therefore not preferred during periods where producers have a greater choice of relatively profitable crops. Growing cotton is something farmers do when the potential return is good or other options are few!

RSA CROP	2022/23 1st Estimate	2021/22 Final Estimate
Ha Irrigation	5 514	6 671
Ha Dryland	12 150	11 204
Total Ha	17 664	17 875
Yield: kg seed cotton per ha		
Irrigation	4 264	4 366
Dryland	903	1 059
Total lint bales	62 272	73 000



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