



COTTON MARKET REPORT

FEBRUARY 2023

CLIMATE CHANGE DEMANDS NEW VARIETIES, BETTER WATER MANAGEMENT AND FLEXIBILITY

International

Climate change used to be something that the world was going to need to address decades from now, but that prediction was far too optimistic because — as farmers know all too well — it's already here. Rising temperatures and multiple 'storms of the century' will force the cotton industry to scramble for solutions, and everyone will need to chip in. It starts with scientists, who will be tasked with developing more durable and resilient varieties. Farmers will need to improve their water management and adopt sustainable farming practices whereas textile manufacturers need to choose more natural fibres.

Everyone in the cotton supply chain has a role to play — as indeed, do all humans — even if it's nothing more than making better choices when we shop. One of the most significant changes climate change has brought is where cotton is grown. As weather patterns change, places where cotton is currently grown are becoming too hot (or too dry, or too wet) so farmers are moving to areas where the climate is better suited to cotton. On the other hand, geographic shifts in cotton production can also create new opportunities for farmers in areas that have historically been marginalised or neglected.

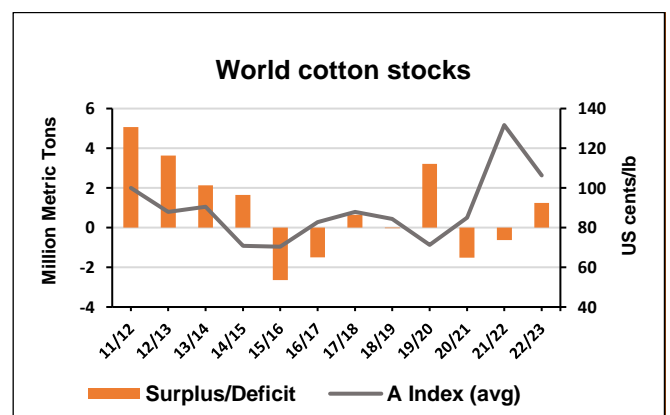
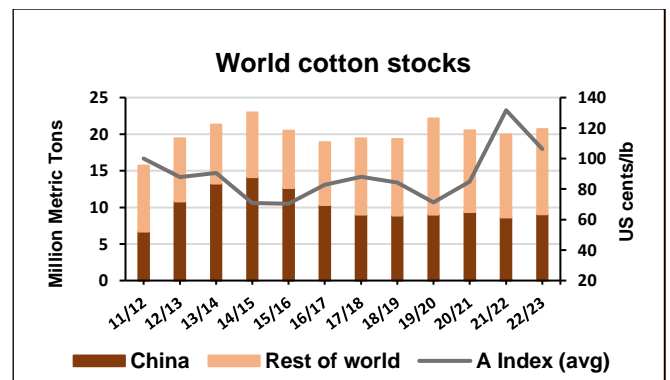
On the bright side, as the headline indicates, there are tools at our disposal to mitigate the impacts of climate change. Whether or not humanity makes the right choices remains to be seen, but at least we have options.

The Secretariat's current price forecast of the season average A-Index ranges from 85 cents to 125 US cents, with a midpoint at 102 US cents per pound.

Source: ICAC

World cotton balance sheet

	Aug-Jul	2022/23	
	2021/22	Jan	Feb
	Million Metric Tons Lint		
Beginning Stocks	20.23	19.97	19.47
Production	25.19	24.69	24.37
Consumption	25.81	23.03	23.13
Ending Stocks	19.47	21.63	20.71
Stocks/ Use (excl. China)	62.14%	79.63%	73.40%



International Cotton Prices

<i>(Quotes in US cents per pound)</i>	01/03/23	Season Low	Season High	1 Year ago	2 Years ago
Cotlook A Index	98.60	89.20	135.20	135.05	94.35
NY Futures Nearby Contract ^a	84.19	72.00	122.20	126.35	90.26
Basis ^b	14.41	6.40	35.9	12.48	6.53
2022/23 average to date	106.37				
2021/22 average	131.68				

^a Previous day's close

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

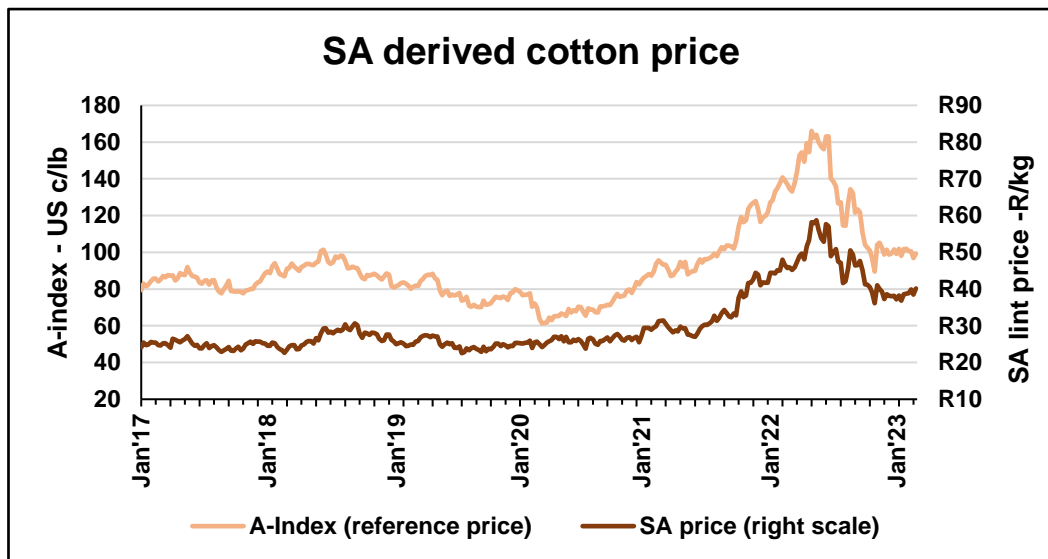
Local Outlook

The second official crop estimate for 2022/23 stands at an estimated 68 700 lint bales, up 10% on last month's estimate but still about 6% less than the year before.

International cotton prices in 2022 were like a roller coaster ride, including increased volatility and the highest price achieved for the past decade. The reduction in economic activity and high inflation in 2023 will likely continue to reduce consumer demand for discretionary items, such as textiles and apparel, thus suppressing cotton prices.

The SA derived cotton price tends to move sideways owing to lower international benchmark prices and a slight depreciation of the national currency, offsetting some of the weakening effects of softening global prices.

RSA CROP	2022/23 1st Estimate	2022/23 2nd Estimate	2021/22 Final Estimate
Ha Irrigation	5 514	6 425	6 671
Ha Dryland	12 150	11 300	11 204
Total Ha	17 664	17 725	17 875
Yield: kg seed cotton per ha			
Irrigation	4 264	4 314	4 366
Dryland	903	919	1 059
Total lint bales	62 272	68 656	73 000



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