

COTTON MARKET REPORT OCTOBER 2023



International situation

Global Cotton Reserves Expected to Reach High Levels.

Global cotton production is currently projected at 25.41 million tonnes, which represents a 3% increase over the previous season. Consumption is currently projected to decrease by 0.43% to 23.35 million tonnes. Global stocks are expected to rise 10% over the previous seasons' rise of 9%. Global stocks are projected at 23.32 million tonnes. This represents two consecutive seasons of near double-digit percentage increases in global ending stocks, a noteworthy point. This level of global reserves is the highest projected in the 83-year history of ICAC data collection on cotton.

The global stock-to-use ratio is expected to increase to 1.00 (approximately 12 months of mill use). With this amount in reserve, the Cotlook A-Index will likely remain 85 to 95 cents per pound for cotton for the remainder of the 2023/24 season.

At current levels of projected production and consumption, China's stocks are expected to increase 8.63% in 2023/24 to 9.16 million tonnes, reaching the highest levels of stocks for the country since 2016/17 (except for the pandemic season of 2020/21). The Chinese stocks-to-use ratio is expected to increase to

1.30 by the end of 2023/24. At its highest point, the Chinese stocks-to-use ratio was estimated to be 1.87 in 2014/15.

Stocks outside of China increased 18% in 2022/23 to 12.80 million tonnes. Current forecasts show that stocks outside of China may rise moderately to 14.15 million tonnes in 2023/24, a significant amount. As stocks in China have decreased over the past several seasons, stocks outside of China have increased. Stocks outside of China are expected to account for 1% of total global reserves by the end of 2023/24.

Prices for cotton and many competing crops (soy, maize, rice) rose during the main planting period (August 2022 through March 2023). Wheat prices were lower by 25%, year-to-date, from August to March, but gains in wheat prices follow recent decreases before the start of the conflict in Eastern Europe.

Prices for soybean, maize, rice, and cotton rose over this period. Other than sugar, this group of commodities experienced relative price stability or growth, with elevated prices for cotton, especially in the 2021/22 season. Given average cotton prices and weakening demand, slight decreases in the planted area would be expected; however, cotton competes with agricultural food commodities

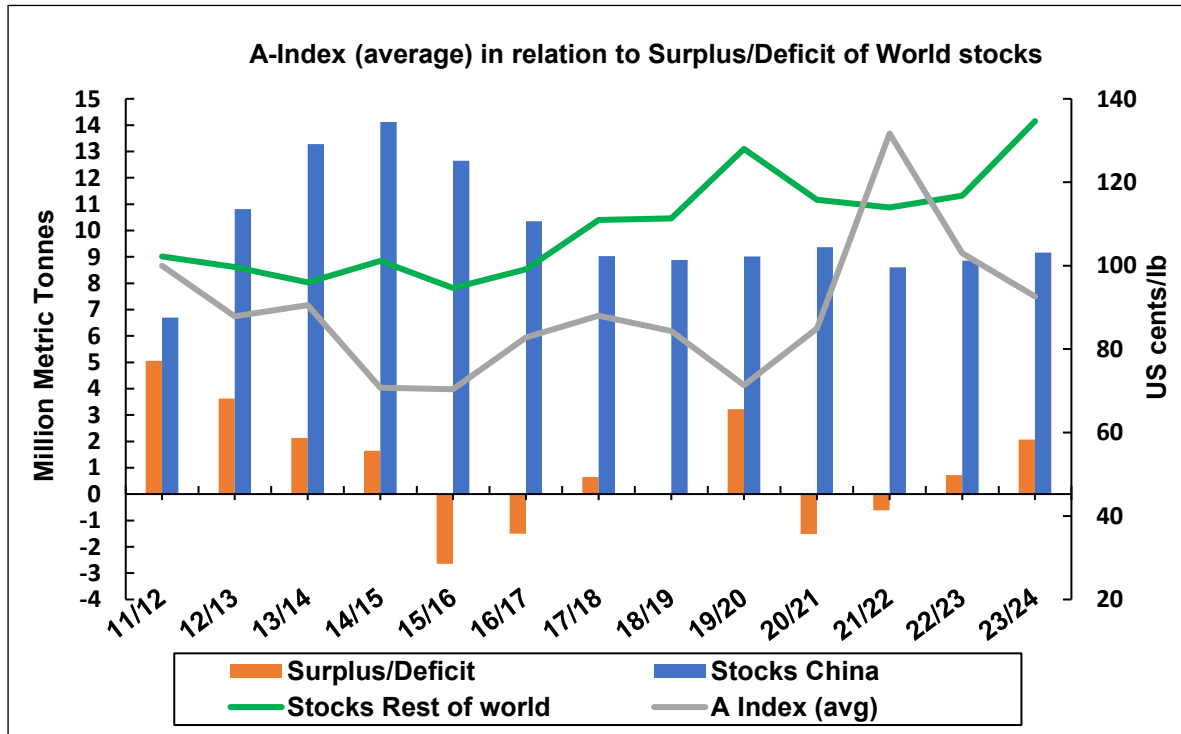
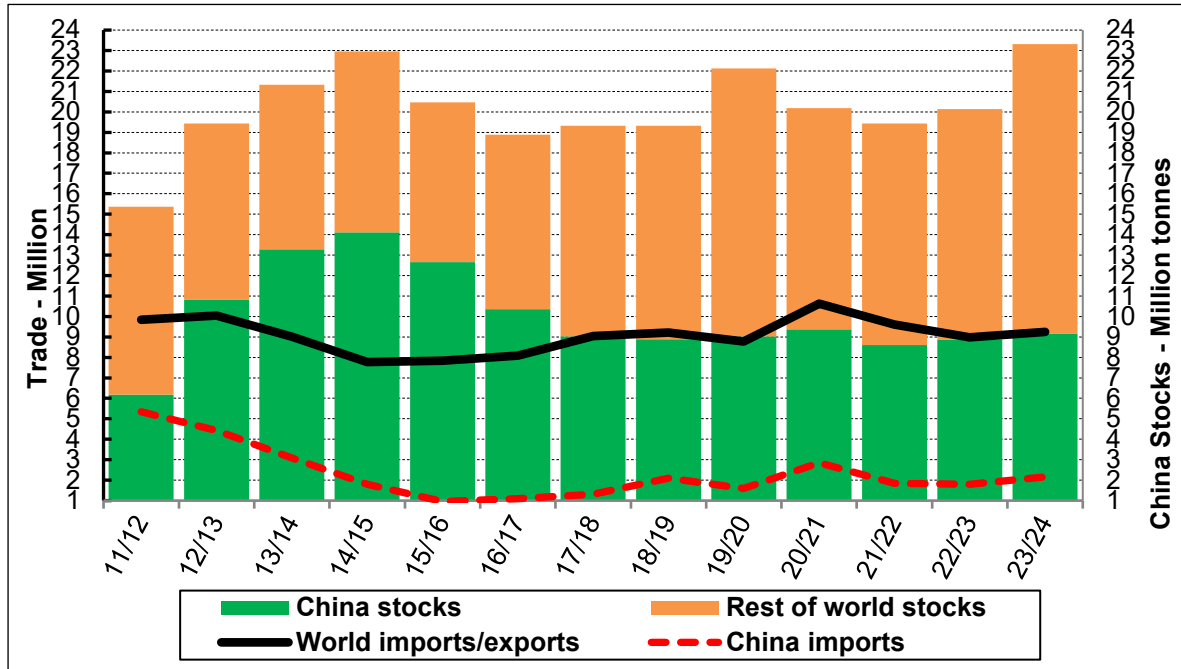


in places where environmental issues and water availability are also limiting factors.

The cotton crop in the United States is once again having significant issues with drought and is currently projected at 2.79 million tonnes, the lowest level since the 2009/10 season. The global average yield in 2023/24 currently is expected to remain stable at 771 kg per hectare, with the total planted area at 32.2 million hectares — a perplexing 2% increase over the previous season. Global

production decreases are occurring in India (-0.91%), China (-6.35%), Australia (-8%), and USA (-11%). China is expected to remain the world's largest producer in 2023/24 with more than 5.6 million tonnes, while India is expected to produce 5.45 million tonnes on 12.7 million hectares. The harvested area in the USA is expected to be 3.25 million hectares with an output of 2.79 million tonnes, but the possibility remains that the harvest will be even lower because of poor weather.

World Trade versus China



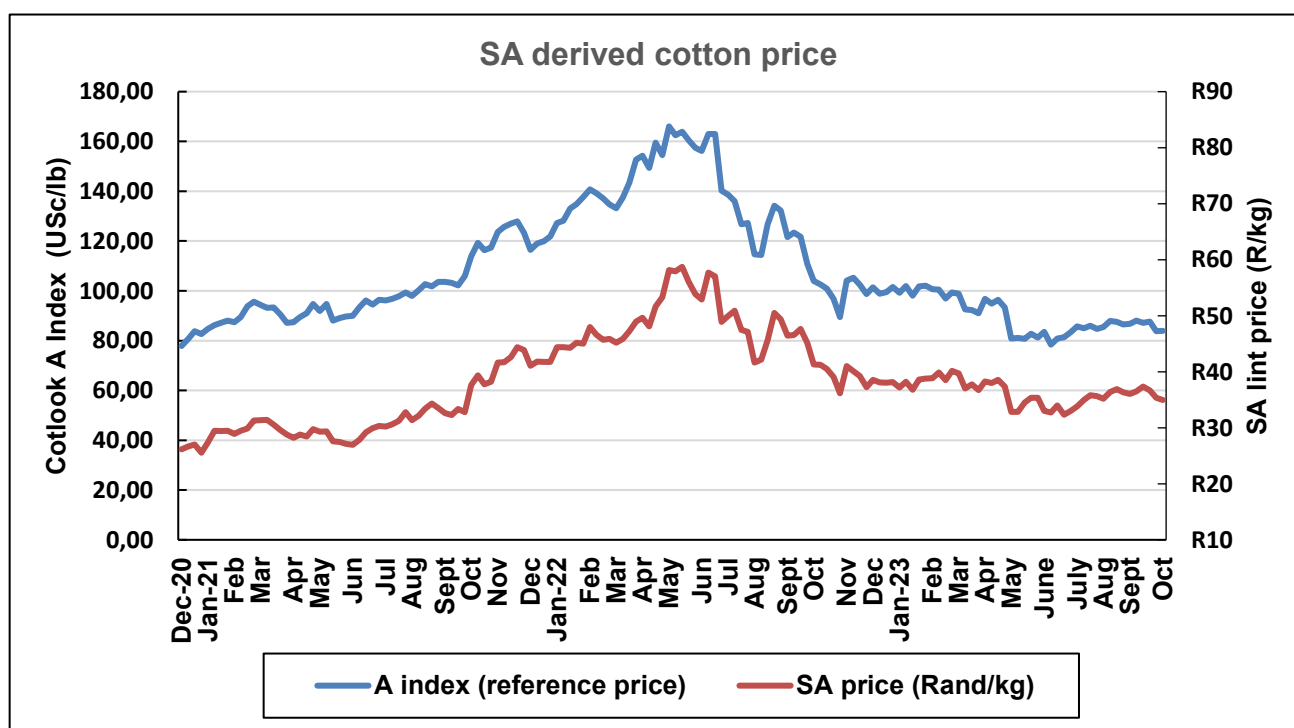
<i>(Quoted in US cents per pound)</i>	02/11/23	Season Low	Season High	1 Year ago	2 Years ago
Cotlook A-Index	92.60	88.7	135.20	92.2	127.70
NY Futures Nearby Contract ^a	81.22	72.00	122.20	79.0	117.25
Basis ^b	11.38	6.40	N/A ^c	17.2	7.86
2022/23 average to date ^d	100.49				
2021/22 average ^d	131.68				

^a Previous day's close.

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

^c N/A: Not available

^d Average price for a given season, August 1 to July 31, or average to date



Local outlook

The 10th crop estimate shows a slight decrease in the number of hectares planted under irrigation, with the hectares planted under dryland increasing to 13 556 ha. The total expected hectareage has increased to 19 864 ha.

The total number of lint bales analysed by the Quality Control Division of Cotton SA, was 70 203, with some cotton still outstanding from the Weipe area in Limpopo. No figures have been received from the rest of the Limpopo Province, except for smallholder estimates for planted hectarages in the Matlerekeng area.

Up to date (25/05/2023 to 10/11/2023), the samples analysed show an average length of 1.13 HVI length ($1''^{5/32}$), an average micronaire of 4.1, an average Strength of 29,17 grams per text, and an average uniformity index of 80,81.

The larger part of the national crop falls within leaf Grade Codes 1, 2, or 3 (74,9% of the crop) and the average leaf grade is 2,52 for the season.

Percentages achieved for USDA grade (colour) showed that 21.8 % of the samples falling within GOOD MIDDLING; 15.7 % within STRICT MIDDLING, 24,2 % were MIDDLING, and 27.2% in STRICT LOW MIDDLING, with the smaller portion of the crop, falling in the lower grades.

The proportional representation of the grades is slightly lower when compared with the previous month's market report, but this is due to the additional samples analysed that originate from dryland production which contributed to higher volumes, but at the same time lowered the average leaf grade.

RSA CROP	2022/23 9 th Estimate	2022/2023 10 th Estimate	2021/22 Final Estimate
Ha Irrigation	7 038	6 308	7 195
Ha Dryland	11 240	13 556	10 823
Total Ha	18 278	19 864	18 018
Yield Irrigation (Kg seed cotton/ha)	4 439	4 327	4 306
Yield Dryland (Kg seed cotton/ha)	1 447	1 286	1 103
Total no. lint bales (@ 200kg/bale)	85 703	80 817	76 659

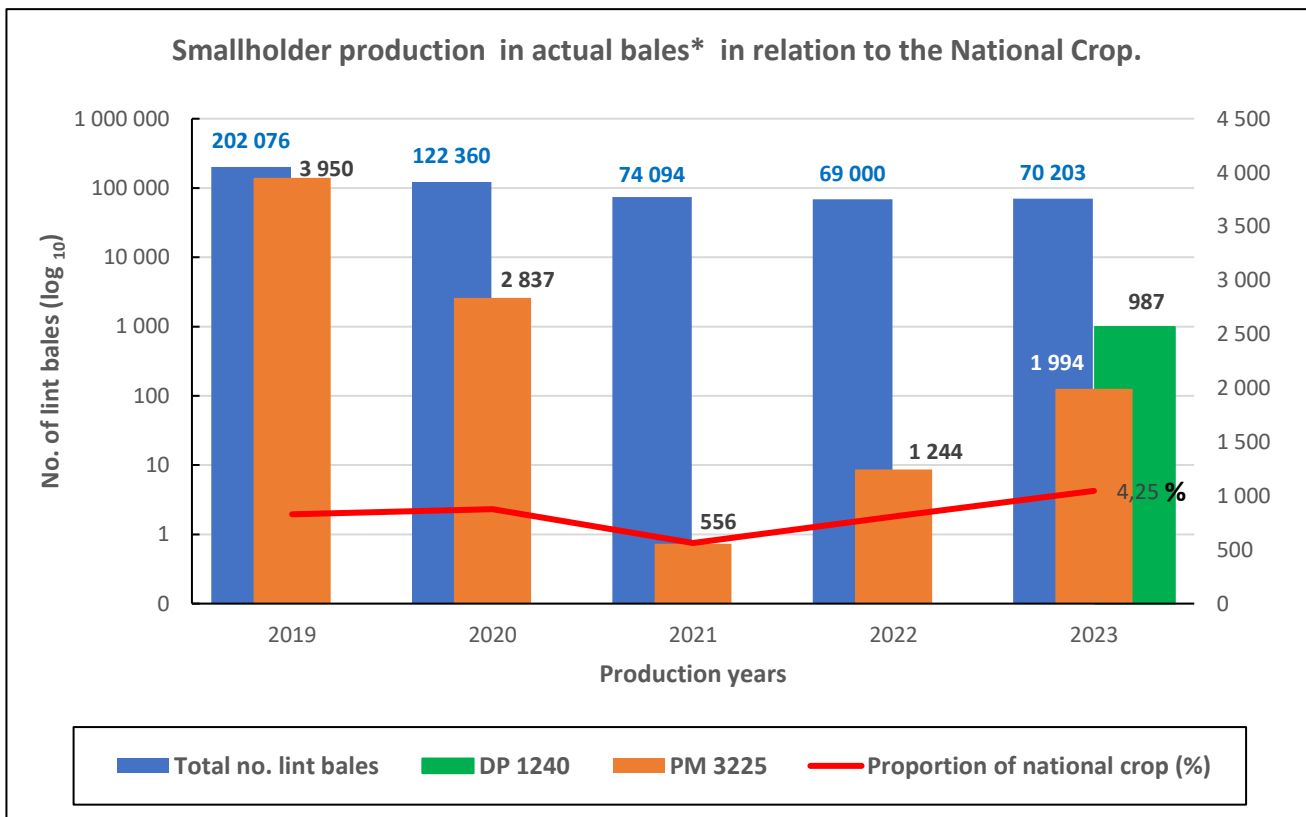


Smallholder production

An estimated 4 568 lint bales, representing the PM 3225 cultivar will be produced by smallholders, with an additional number of lint bales (n= 987) of DP 1240 being produced by Taung smallholders, which in total make out 7.9 % of the estimated national crop. However, these are estimates deducted from the return figures received from the ginneries, based on statistical bales (200kg bales). The variation that can be seen in the calculation of statistical bales (potential bales) and actual bales that are processed by Cotton SA, emphasises the importance of correct figures provided by the ginneries to obtain comparative figures. The aim of the Agricultural Agro-processing Masterplan (AAMP) is to produce 20% of the national crop by 2030. A much more reliable statistic is to look at the number of samples representative of each bale that

is analysed by the Quality Control Division of Cotton SA.

In the figure below the contribution of smallholders to the national crop based on actual bales, is 4,5 % for the 2023 season, and around 2 981 bales in total. Lint bale contributions by smallholders have steadily increased since 2021, but more constructive management of inputs needs to be done to unlock the potential of farmers who are already farming but need more mentoring for them to expand. Cotton SA will continue to promote the transformation of small- and medium farmers by making use of the smallholder support received from the government in all the provinces, to reach this goal. The industry is thankful for the support received from the government.



*Actual bales are bales graded by the Quality Control Division of Cotton SA.

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