

COTTON MARKET REPORT JANUARY 2024



Updates on international markets with reference to prices will only be available at the beginning of February. Available information reflects that of 4 January 2024. The 2022/23 season witnessed several price rallies in the cotton market. The peak cotton price was reached on August 30, 2022, hitting 135.25 cents per pound, while the lowest cotton price was recorded on 28 June 2023 at 72.26 cents per pound. Overall, international cotton prices experienced a 23% decrease, settling at 101.62 cents per pound for the season. This figure is the second-highest average observed in the past 12 years and is 35% higher than the long-term average.

Cotton Government support International situation

China

Xinjiang's cotton production accounts for 90% of China's total cotton output. After undergoing the ginning and grading processes within Xinjiang, most cotton bales are subsequently transported to China's eastern provinces, where the bulk of the domestic textile industry is located, for processing into yarn. It is estimated that roughly 80% of Xinjiang's cotton remains within the autonomous region, destined for yarn production. The Chinese government continues its practice of offering transportation subsidies for the movement of cotton from Xinjiang to mills in eastern and southern China. These subsidies are contingent upon the verification of transportation records or bills of lading by government authorities, with payments typically disbursed to eligible enterprises in the subsequent year. It is estimated that this transportation subsidy totalled \$313 million in 2020/21 and \$317 million in 2021/22, before decreasing to \$185 million in 2022/23. Additionally, the government of China pays cotton growers a subsidy estimated at \$150 million per year for using high-quality seeds. The International Cotton Advisory Committee (ICAC) Secretariat estimates that the total subsidies provided by the Chinese government surged to \$2.4 billion (equivalent to 18 cents per pound) in 2022/23, a significant increase from \$467 million (3.7 cents per pound) in 2021/22.

USA

The sum of all types of support tied to planted cotton that are provided to US producers including crop insurance, STAX (The Stacked Income Protection Plan), and the ELS (Extra Long staple) competitiveness programme, is estimated at \$1.53 billion in 2022/23, compared to \$620 million in 2019/20 and \$795 million in 2021/22. The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) payments are based on historical acres rather than current planted acres. Both ARC and PLC provide income support to farmers with cotton bases, whether or not they are producing cotton when market prices or

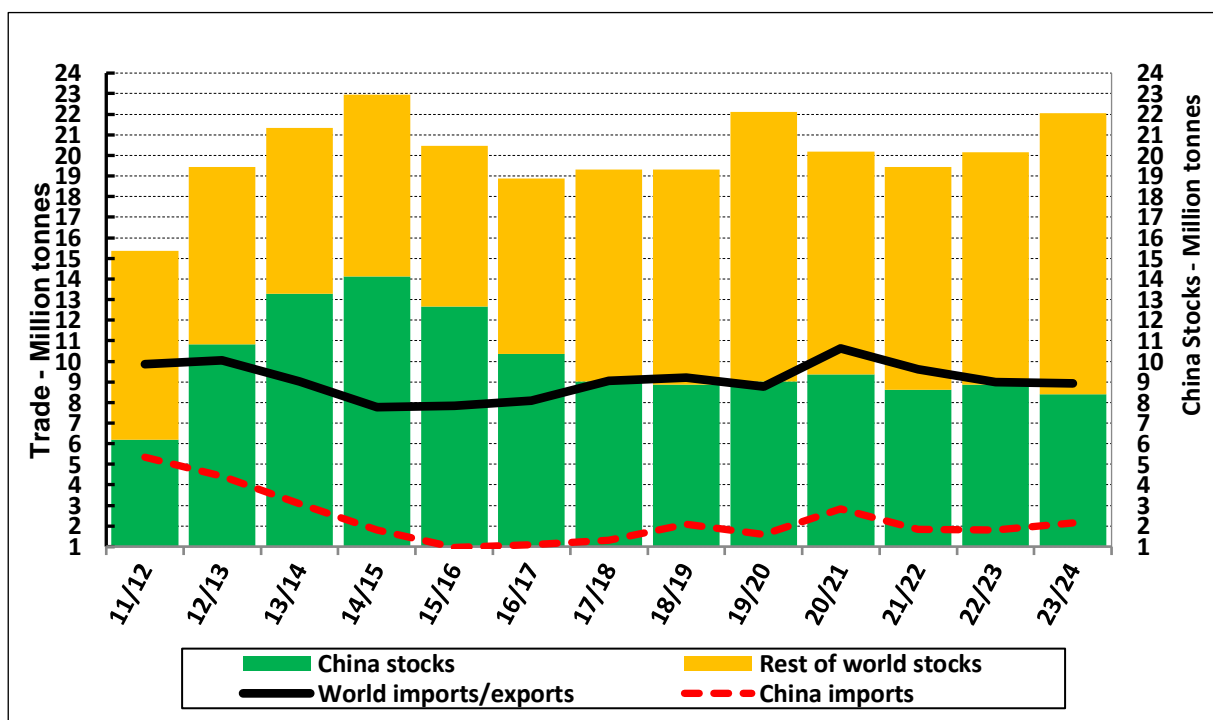


average county revenues for seed cotton are below the statutory effective reference price or county benchmark revenue for prolonged periods. It is important to note that the USDA notified these payments together with other historical base acre payments as nonproduct-specific outlays. PLC/ARC payments, which are not tied to planted cotton totalled \$473.8 million in 2019/20, \$5.8 million in 2021/22, and \$110 million in 2022/23.

INDIA

In 2022/23, the Minimum Support Price System (MSP) per 100 kg of seed cotton was raised by 6% to Rs6,33021, equivalent to about 103.3 cents/lb of lint, at the season average exchange rate. The ICAC Secretariat estimates that fertiliser subsidies for the cotton sector rose from \$1.02 billion in 2019/20 to \$1.4 billion in 2020/21, \$2.9 billion in 2021/22, and \$2.97 billion in 2022/23. Cotton's share of the total fertilizer subsidy programme in India averaged about 10% from 2019/20 to 2022/23. For further reading consult:

[SUBSIDIES ENGLISH \(icac.org\)](https://www.icac.org/subsidies-english)



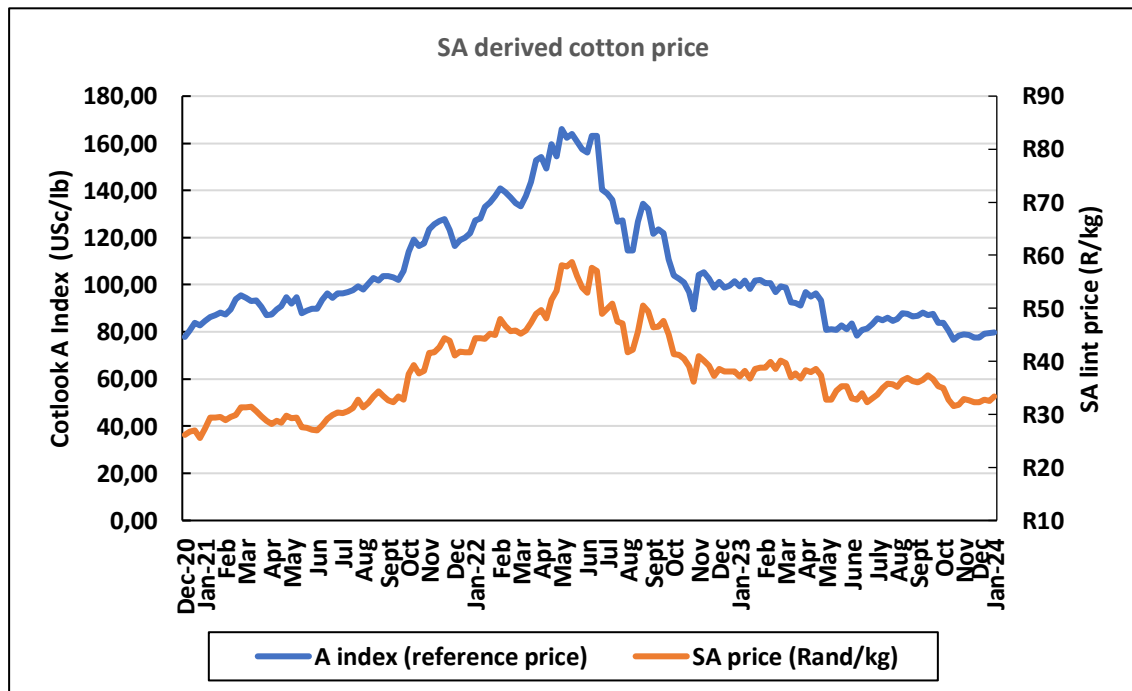
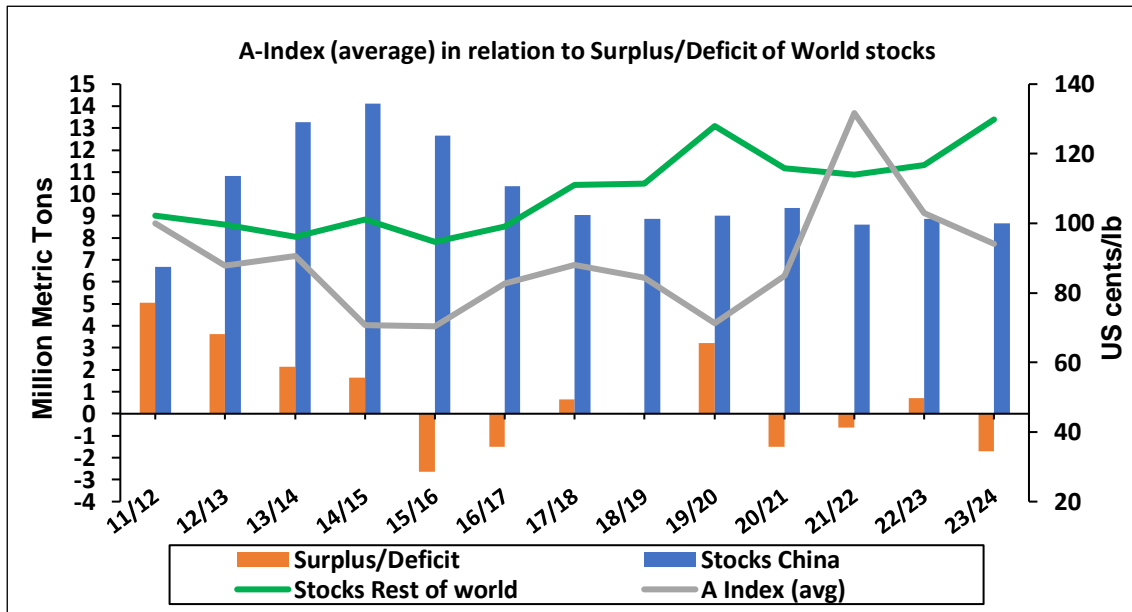
(Quoted in US cents per pound)	04/01/24	Season Low	Season High	1 Year Ago	2 Years Ago
Cotlook A-Index	91.25	87.55	100.10	100.00	127.20
NY Futures Nearby Contract ^a	80.93	77.34	88.73	83.14	112.60
Basis ^b	10.32	9.41	13.31	16.63	12.86
2023/24 average to date	94.06				
2022/23 average	101.62				

^a Previous day's close.

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

^c N/A: Not available

Source: <https://www.icac.org>



Local situation

Government support locally, aimed at production only, amounted to around R21,9 million (approximately US\$ 1,16 million @R18,73) in total from provincial governments, for Mpumalanga, Limpopo, and KwaZulu-Natal for smallholder development.

The money is managed by Cotton SA and paid to suppliers and service providers to fund seed, pesticides, fertiliser, repairs and services of machinery, skills development, mentoring and promoting extension services of the different co-operatives. In comparison with other countries, the amount allocated for local cotton production is almost incomparable.

The weekly average cotton reference price based on the NY Futures, provided to farmers every week, was 79,21 US c/lb (R32,82) on 8 January. The ICAC provides "The Cotlook A Index", on 4 January as 91,25 US c/lb. The A index is a world cotton reference price, and tends to be higher than the New York Nearby for two reasons 1) the quality of the cotton represented by the A Index is slightly higher than the quality represented by New York futures and 2) the A Index prices include shipments to the Far East. [A Index | CottonWorks™](#)

RSA CROP	2023/2024 1 st Estimate (January 2024)	2022/2023 Final Estimate (November 2023)
Ha Irrigation	6 896	6 308
Ha Dryland	10 942	13 556
Total Ha	17 838	19 864
Yield Irrigation (Kg seed cotton/ha)	4 067	4 327
Yield Dryland (Kg seed cotton/ha)	873	1 285
Total no. lint bales (@ 200kg/bale)	68 423	80 225

The 11th or final crop estimate (2023) showed a decline in the number of bales produced, based on the number of samples that were processed by the Quality Control Division of Cotton SA, the 2023 season ended with some 70 450 statistical bales. Although high crop yields were achieved under dryland conditions in some areas, the total tonnage can be somewhat different than what is represented by statistical bales.

Dryland hectarages were 13 556 ha, and 6 308 ha under irrigated conditions. For the 2023 season, ending in November 2023, lint samples received by the Quality Control Division of Cotton SA, showed 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. Most 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)

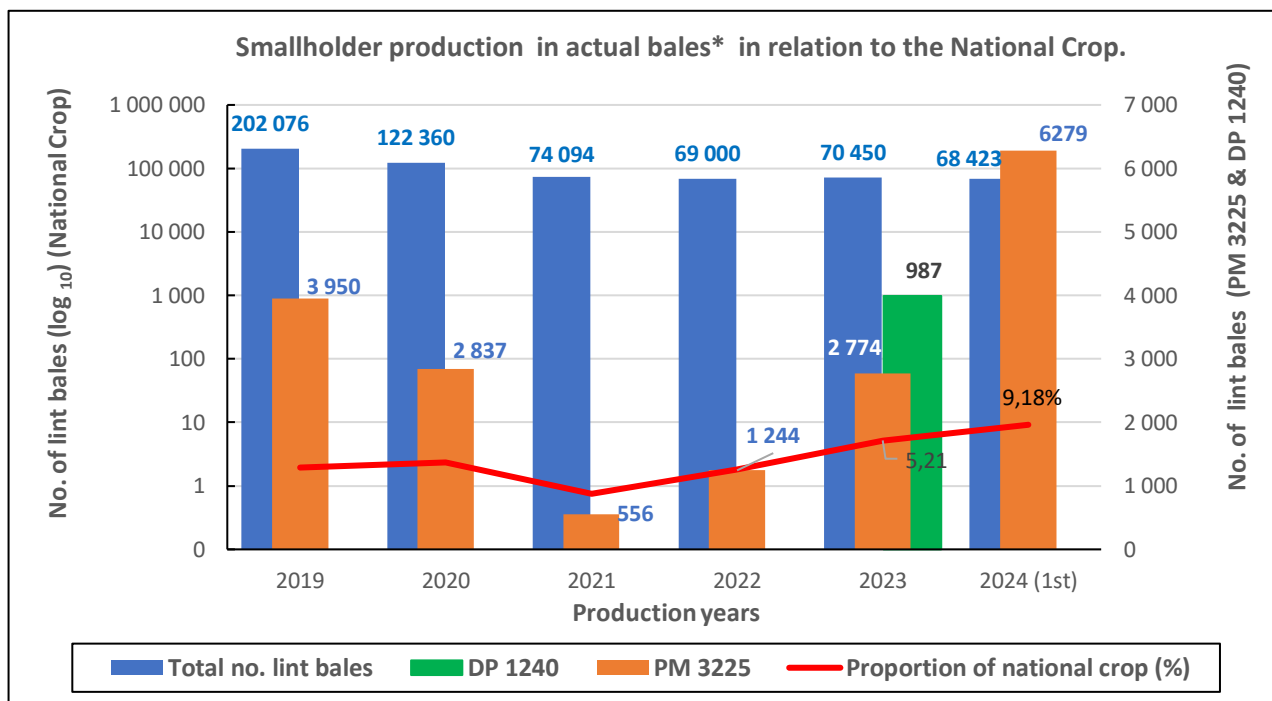


showed that 21.8 % of the samples falling within Good Middling; 15.7 % within Strict Middling, 24,2 % were Middling, and 27.2% in Strict Low Middling, with the smaller portion of the crop, falling in the lower grades. The biggest challenge for the 2024 season was probably available soil moisture for the timeous planting of cotton in dryland areas. Some farmers had to re-plant after experiencing an initial very dry start, while other farmers could not replant due to other constraints. Access to short-season varieties remains the solution to address the climate challenges farmers have. Hectarages for the 2024 season are somewhat lower than in 2023, with 10 942 ha envisaged to be planted under dryland and 6 896 ha under irrigation. With some new developments on the processing side, ginners are looking forward to establishing new relationships with farmers, while the concept of commission ginning is growing. A cotton ginnery will be erected on the Springbok Flats by some farmers, while there is also an initiative to establish a cotton ginnery in Makopane. Smallholders and farmers in the Komatipoort area can look forward to a new ginnery if sufficient uptake for cotton production can be found for 2025. With the efforts that the industry is putting together with funders, the hope is that production will increase in the next season.

Smallholder production

The first estimate for January 2024, for smallholder production, predicts a total of 3 966 lint bales to be produced in the Makhathini, compared to 1 849 in Mpumalanga, with 11 bales from Rust de Winter (Gauteng), with a mere 454 bales from the Limpopo, due to very late rain.

The aim of the Agricultural Agro-processing Masterplan (AAMP) is to produce 20% of the national crop by 2030. The estimated smallholder production in actual lint bales is about 9,2% of the national crop for 2024. Dryland hectarages have decreased in Mpumalanga from 1 780 ha in 2023 (final estimate) to 1 580 ha (1st estimate) in 2024. For KZN, dryland hectares have increased from 2 548 ha in 2023 (final estimate) to 2 680 ha (1st estimate) in 2024. Limitations to expanding for Smallholders include access to irrigation land, infrastructure and addressing the issues around land tenure. The support for inputs received from the Provincial governments will assist the Smallholders to reach their optimum potential.



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