



COTTON MARKET REPORT

5 May 2020

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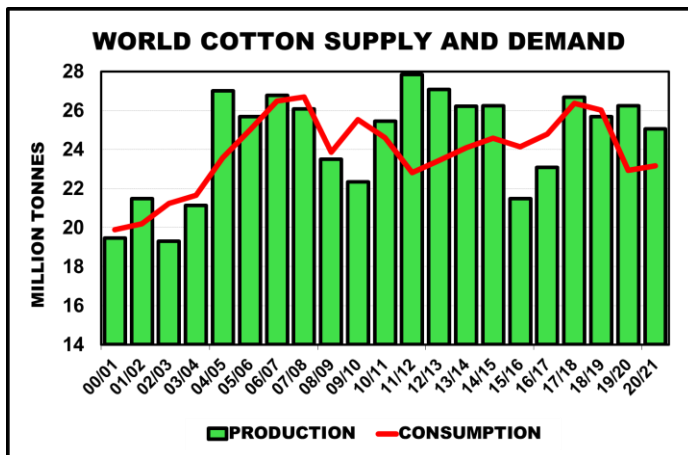


CONSUMPTION AND TRADE REVISED DOWN FOR 2019/20 AS COVID-19 IMPACTS ECONOMIES

International

Containment measures, unprecedented shifts in the labour market and growing unemployment have led to sharp decreases in textiles and clothing sales as demand has dropped. The current economic environment is an unusual slowdown from a typical recession as the containment measures for Covid-19 have closed business activity in a way not experienced in the modern era. The economic recovery will be able to begin only once the health recovery has begun.

The current recession is unlike any other in some respects as it has been induced by a public health crisis rather than an event in the financial market. A depression is a long recession where unemployment reaches and remains at high level typically around 25 - 33%. The Great Depression was marked by a decade of high unemployment that had also been induced by ineffective economic policies. The policy responses by countries will be key to stemming a depression, economic recovery and the speed of recovery.



As containment measures remain across countries, global cotton consumption has been revised down to 22.9 million tonnes, an 11.8% decrease from the previous season. With supply chains fractured and consumption demand low, global trade has been revised down to 8.26 million tonnes

The ongoing uncertainty due to Covid-19 combined with the existing environment of trade tensions are impacting farmer planting decisions. The global area under cotton is expected to decline in 2020/21 by 4% to 33 million hectares.

Global production for 2020/21 is currently expected to total 25 million tonnes, a 4% decrease from the current season due to a contraction in area. Global consumption for 2020/21 is currently expected at 23.2 million tonnes. With production exceeding consumption in a contracting global economy, stock levels would be expected to increase putting additional pressure on prices.

Global Demand and Supply

Million Tonnes			
	2018/19	2019/20	2020/21
Beginning Stocks	18,82	18,63	21,92
Production	25,68	26,23	25,05
Consumption	26,01	22,94	23,16
Exports	9,08	8,26	8,42
Ending Stocks	18,63	21,92	23,81

Local situation

The fourth official cotton estimate indicates a crop of 144 260 bales of fibre which represents a 1% increase compared to the previous month. This increase can be attributed to the increase in yields as well as the recovering of potentially loss in hectares.

Crop Estimate	2019/20 4th Forecast	2019/20 3rd Forecast	2018/19 Final Estimate
RSA Crop			
HA Irrigation	11 779	11 884	24 921
HA Dryland	16 317	15 966	16 792
HA Total	28 096	27 850	41 713
Yield: kg seed cotton per ha			
Irrigation	4 800	4 752	4 536
Dryland	1 093	1 095	967
200 kg bales of lint	144 260	142 829	238 222

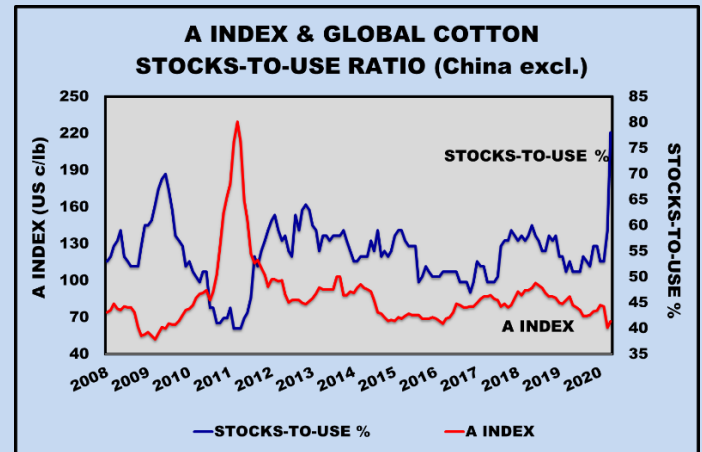
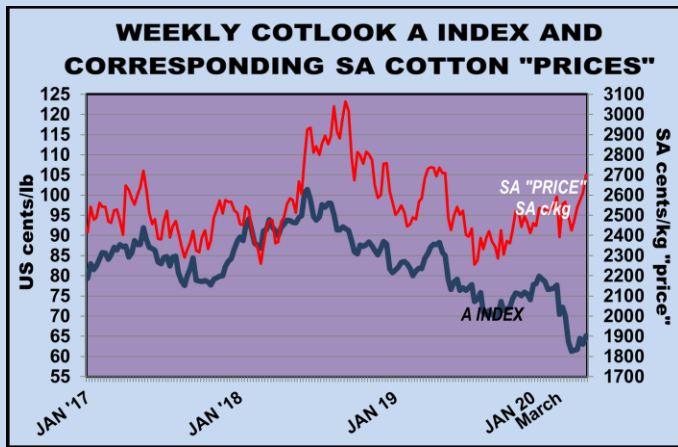
In most areas harvesting commenced and although early in the season reports received are positive and farmers are optimistic about the crop performance. Even with the current economic downturn, cotton remains a profitable crop when compared to other summer field crops. Expectations are that cotton exports will further increase whilst a weaker rand/ dollar exchange rate will lead to more competitive prices realised for cotton lint. It will also be a matter of time before cotton plantings will return to levels of previous higher plantings. Many industries are experiencing an uncertain time due to the Covid-19 pandemic, for the cotton industry the "silver lining" will be exports and fetching good prices to support it.



COTTON PRICE MOVEMENTS

The ICAC's current price projection for the year-end 2019/20 average of the A Index has been revised to 72.61 US cents per pound this month. The price projection for the year-end 2020/21 average of the A Index is 57 US cents per pound this month. Looking at the world price, the decline in price may be seen as negative but the weakening of the Rand/ Dollar exchange rate compensates for the lower international price. See graph below. SA cotton is of good quality and a sought after export commodity which earns premiums on the world market.

The graph shows the correlation between the Cotlook A Index and world cotton stock-to-consumption ratio, excluding China.



The ICAC's price predictions are mainly based on the world's end stock-to-consumption ratio (excluding China); the relationship between Chinese net imports to global imports as well as on the latest cotton price movements.

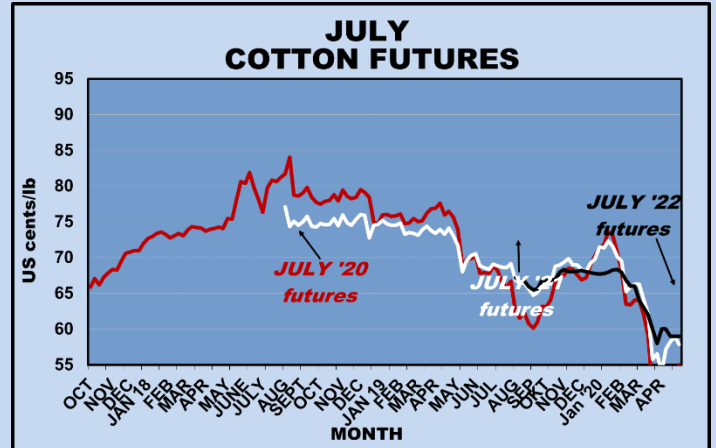
Cotlook A-Index is a daily indicator of international cotton fiber prices based on the average of the 5 cheapest quotes (cost & freight) of the most important cotton types that are traded internationally, destination Far East.

	A-Index Average US/ Cent per pound	Derivative Price (RSA) Average SA c/kg fibre
Last week (27/04/2020)	65,15	2701,70
March 2020	61,50	2447,27
Today (01/05/2020)	66,75	2768,05
February 2020	77,70	2591,78
Today a year ago	86,20	2748,01
Today 2 years ago	93,00	2558,82



FUTURE MARKET

1 April 2020	NY "Futures" US s/lb
July 2020	54,33
October 2020	55,89
December 2020	56,24
March 2021	57,33
May 2021	58,54
July 2021	59,21
October 2021	57,72
December 2021	57,42
March 2022	58,22



30/04/2020

COTTON CROP REPORT - 4th ESTIMATE 2019/20 PRODUCTION YEAR

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint
LIMPOPO PROV.					
Loskop	1797	0	4500	0	14556
North & South Flats	822	7525	4566	600	14968
Koedoeskop/Dwaalboom/Thabaz.	4078	450	5500	750	42118
Limpopo Other	25	844	3000	600	1047
Weipe	1000	0	4500	0	8325
NORTHERN CAPE					
Vaalharts	939	0	5000	0	8681
Lower Orange River	508	150	4435	0	4584
Rest of Northern Cape	560	0	4997	0	8270
NORTH WEST					
Stella/Delareyville/Schweizer/e	99	4472	5000	2302	19963
Taung/Skuinsdrif	892	0	5243	0	8652
KWAZULU-NATAL	68	600	3500	800	1400
MPUMALANGA	501	1836	4000	800	6425
FREE STATE	490	440	5000	1000	5273
RSA TOTAL	11779	16317	4800	1093	144260