



COTTON MARKET REPORT

AUGUST 2020

LIMITED RECOVERY WITHIN THE PANDEMIC: PRODUCTION & STOCK LEVELS HIGH AND SLOW CONSUMPTION GROWTH

International

The opportunity for economic recovery may not relieve the current market uncertainty, even though the most stringent containment measures are being lifted.

Worldwide production is expected to decline to 25.1 million tons for the 2020/21 season as low prices and food security concerns have led to fewer areas being planted in some countries. Global production for 2020/21 is expected to be led by India by planting over 12 million hectares with an expected 6.2 million tons crop. China has continued to reduce its area under cotton and is expected to produce 5.7 million tons.

Global consumption is expected to increase to 24.3 million tons, about 7.2% more than the previous season. China continues to be the largest consumer at 7.8 million tons with India second at 5.1 million tons.

World production is currently projected to outpace consumption. At the current global stock-to-use ratio of 0.97, there is currently enough cotton lint in the world's warehouses right now to meet consumption needs for nearly one year of mill-use.

With rising stocks and continuing economic uncertainty, prices will remain under pressure for the near future. Should projected economic recovery materialise and subsequent demand growth recover, under the current quantities of global reserves, it may still take additional time for prices to recover.

World Cotton Balance Sheet

	Aug-Jul	2020/21	
	2019/20	July	August
Million Metric Tons Lint			
Beginning Stocks	18.72	21.96	21.99
Production	26.16	24.77	25.05
Mill-Use	22.70	23.85	24.34
Ending Stocks	21.99	22.88	22.71
Stocks/ Use (excl. China)	83%	87%	83%



International Cotton Prices

The price projection for the 2020/21 year-end average of the A Index is 67 cents per pound this month.

<i>(Quotes in US cents per pound)</i>	Today (01/09/20)	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	70.85	68.20	71.60	70.15	92.15
NY Futures Nearby Contract ^a	64.41	61.84	65.16	59.05	82.31
Basis ^b	6.44	6.34	6.87	11.10	9.84
2020/21 average to date	69.99				
2019/20 average	71.33				

^a Previous day's close

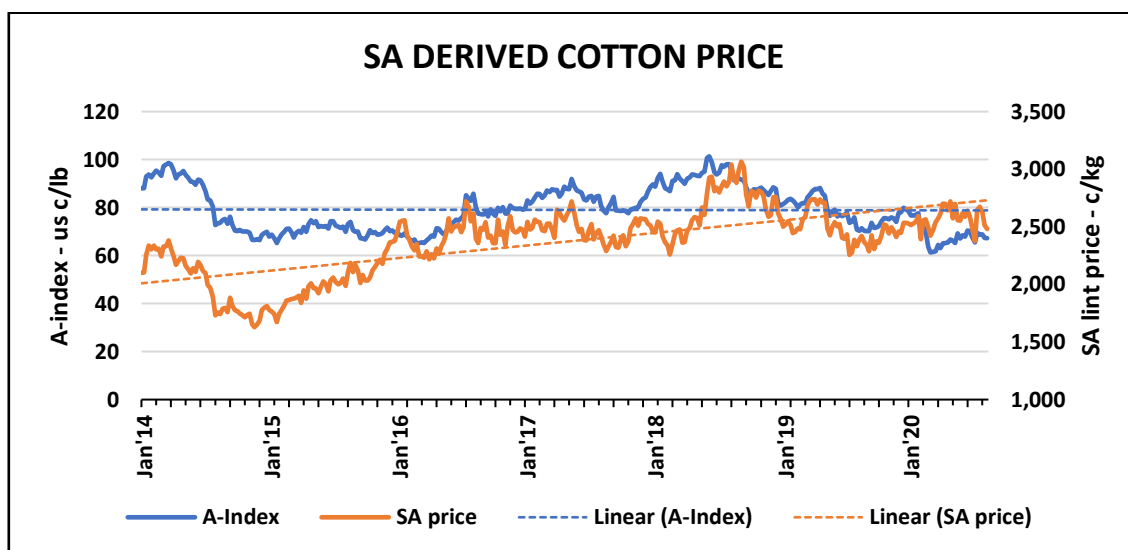
^b Current A-Index minus Nearby NY (previous close)

Local

The 8th estimate for the 2019/20 production year indicates a local cotton crop of 139 047 lint bales, 1.4% up from last month's estimate due to better expected yields in the case of dry land production.

Domestic consumption of locally produced cotton from April to July is 39% less than the same period the previous year while consumption of imported cotton is 87% less than the corresponding period the previous year.

RSA CROP 200 Kg Lint bales	2019/20 8th Estimate	2019/20 7th Estimate	2018/19 Final Estimate
Ha Irrigation	11 750	11 251	22 765
Ha Dryland	17 221	17 419	16 020
Total Ha	28 971	28 670	38 785
Yield: kg seed cotton per ha			
Irrigation	4 473	4 602	4 506
Dry land	1 171	1 156	967
TOTAL BALES	139 047	137 163	218 430



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