



COTTON MARKET REPORT – JULY 2020

LOWER WORLD COTTON PRICES EXPECTED IN 2020/21

International

With falling demand, the global cotton prices have fallen in 2019/20. The season average of US 71.3 cents per pound represents the third consecutive season of declining cotton prices. The sharp decrease in global consumption coupled with a global increase in production, have put pressure on prices in 2019/20.

The global pandemic slowed the demand for cotton. Cotton spinners and textile and clothing manufacturers have reduced their activities with few orders to fill.

Benefitting from lower cotton prices, it is projected that economic activity and consumer demand could increase and that global economic growth should materialise. This could lead to a recovery in cotton consumption in 2020/21.

Cotton consumption for 2020/21 is forecast at 23.9 million tons, a 5% increase from the previous season. Cotton production for 2020/21 is projected at 24.8 million tons, a 5% decrease from the previous season.

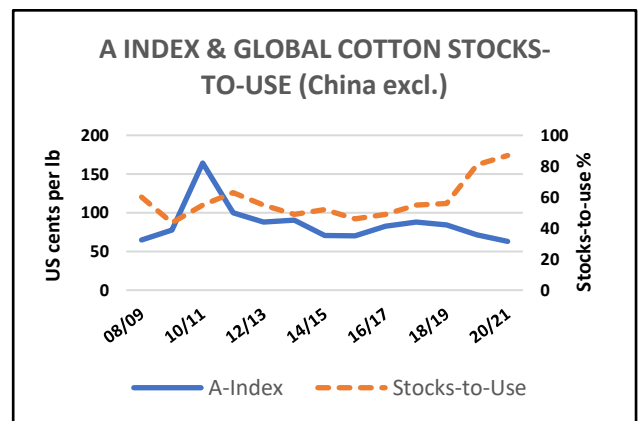
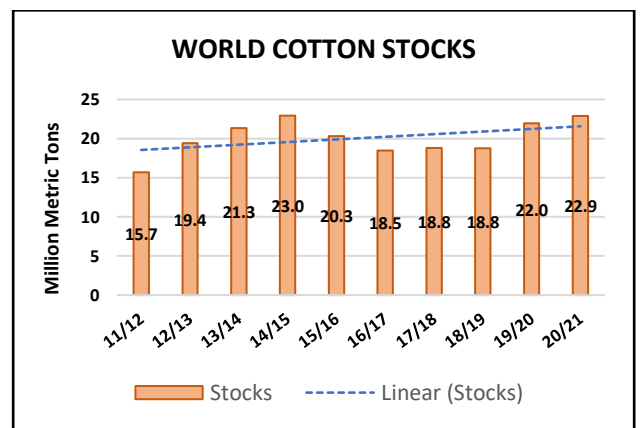
The decline in production is due to a global area decrease of 2 million hectares. The decrease in the hectares is the result of the health induced economic crisis. Farmers in West Africa and Egypt are likely to move to planting food crops.

Cotton production in India is expected to be strong, while production in China is expected to be smaller based on reduced hectares to be planted with cotton. The American crop has been projected lower based on the drought conditions in Texas.

The low cotton prices and excess supply with little demand, have also decreased export opportunities for major exporters.

World Cotton Balance Sheet

	Aug-Jul	2020/21	
	2019/20	June	July
Million Metric Tons			
Beginning Stocks	18.76	22.49	21.96
Production	26.15	24.86	24.77
Mill-Use	22.95	23.31	23.85
Ending Stocks	21.96	24.04	22.88
Stocks/ Use (excl. China)	81%	91%	87%



International Cotton Prices

The price projection for the 2020/21 year-end average of the A Index is 62,8 cents per pound this month.

	Today	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	68,55	59,15	80,20	74,85	98,70
NY Futures Nearby Contract ^a	62,82	48,41	71,53	62,87	89,95
Basis^b	5,73	4,91	12,32	11,98	8,75
2019/20 average to date	71,33				
2018/19 average	84,35				

^a Previous day's close

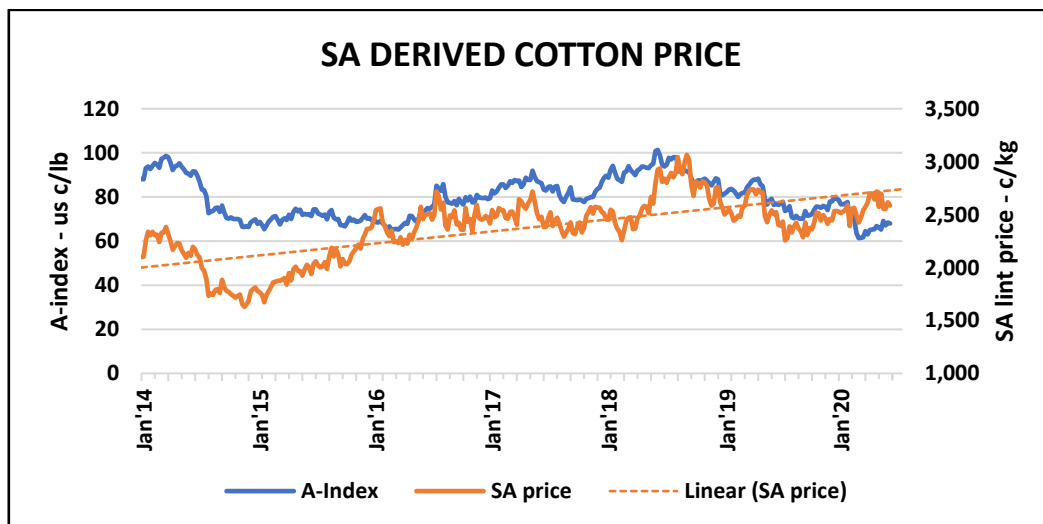
^b Current A-Index minus Nearby NY (previous close)

Source: Cotlook Ltd; quotes in US cents per pound

Local

The 7th estimate for the 2019/20 production year indicates a local cotton crop of 137 163 lint bales, 1.4% up from last month's estimate due to better expected yields in the case of the dry land production. Seed availability, restructuring of ginning capacity and unfavourable growing conditions at the beginning of the planting season were the main reasons for lower plantings in 2019/20. Due to low demand because of the strict lockdown regulations have increased export opportunities for the year under review. It will be the second consecutive year that the country will be a net exporter of cotton lint.

RSA CROP 200 Kg Lint bales	2019/20 7th Estimate	2019/20 6th Estimate	2018/19 Final Estimate
Ha Irrigation	11 251	11 581	24 921
Ha Dryland	17 419	16 770	16 792
Total Ha	28 670	28 351	41 713
Yield: kg seed cotton per ha			
Irrigation	4 602	4 626	4 536
Dry land	1 156	1 029	967
TOTAL BALES	137 163	135 303	238 222



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