



# COTTON MARKET REPORT – MAY 2020

## FALLING CONSUMPTION AND RISING STOCK LEVELS

### International

Cotton consumption and trade have decreased in the wake of the containment measures to control the Covid-19 pandemic. All major consuming countries have been impacted by the retail losses that have led to decreased orders as well as the closure of mills to reduce the spread of Covid-19.

Global consumption decreases for 2019/20 are expected across the globe. Global consumption for 2019/20 is expected to be 23 million tons, 3% less from the previous season. The ICAC's current projection for 2020/21 is at 23.75 million tons.

With global cotton production expected to be 26.2 million tons for 2019/20, a 2% increase from the previous season, ending stock levels are expected to increase to 21.75 million tons. This would be the highest level in the past 5 years.

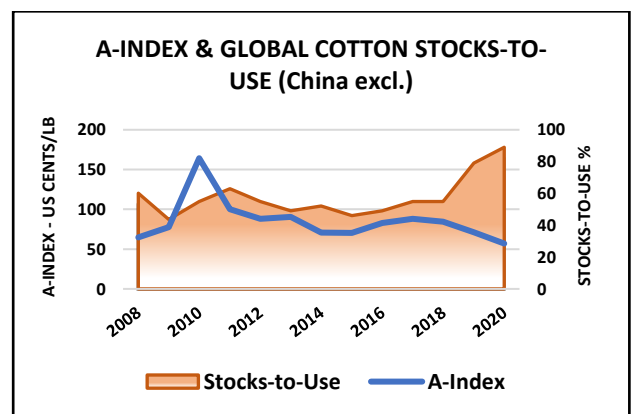
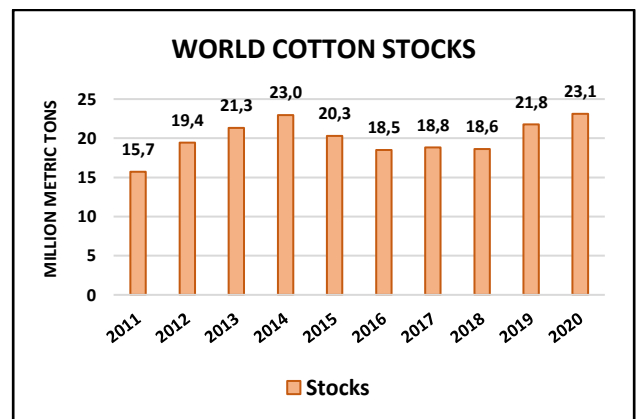
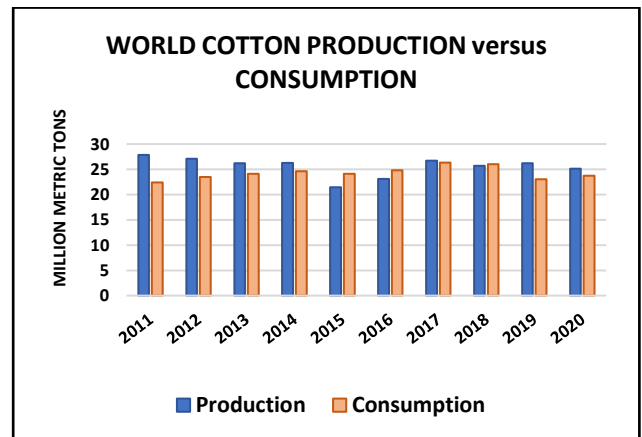
Global cotton trade is expected to fall to 8.34 million tons in 2019/20, a decrease of 9.6% from the previous season. Recovery for the coming 2020/21 season is currently expected to be modest under the current IMF projections for economic recovery.

International prices remain under pressure for the 2020/21 season. This would be because of the high stock levels, low consumption and high production levels. The average price projection of the Cotlook A-Index for the 2020/21 year is 58.8 cent per pound, down from the current projected price for 2019/20 of 72.8 cents per pound. Price recovery for the coming 2020/21 season is currently expected to be modest.

The nearby July NY Futures contract rose from 53 to 58 cents/lb. The A-Index climbed from 63 to 65 cents/lb.

The ICAC's latest price projection for the 2019/20 season indicates a season average A-Index of between 70 – 73 US cents per pound with a midpoint of 72 cents per pound (RSA "price" equivalent of about R27,37/kg). The price forecast

for 2020/21 is between 47 – 74 with a midpoint of 59 US cents per pound.



## International Cotton Prices

	Today	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	65,45	59,15	80,20	80,35	100,7
NY Futures Nearby Contract <sup>a</sup>	57,59	48,41	71,53	68,08	93,30
Basis <sup>b</sup>	7,86	7,60	12,32	11,02	7,45
2019/20 average to date	71,98				
2018/19 average	84,35				

<sup>a</sup> Previous day's close

<sup>b</sup> Current A-Index minus Nearby NY (previous close)

Source: Cotlook Ltd; quotes in US cents per pound

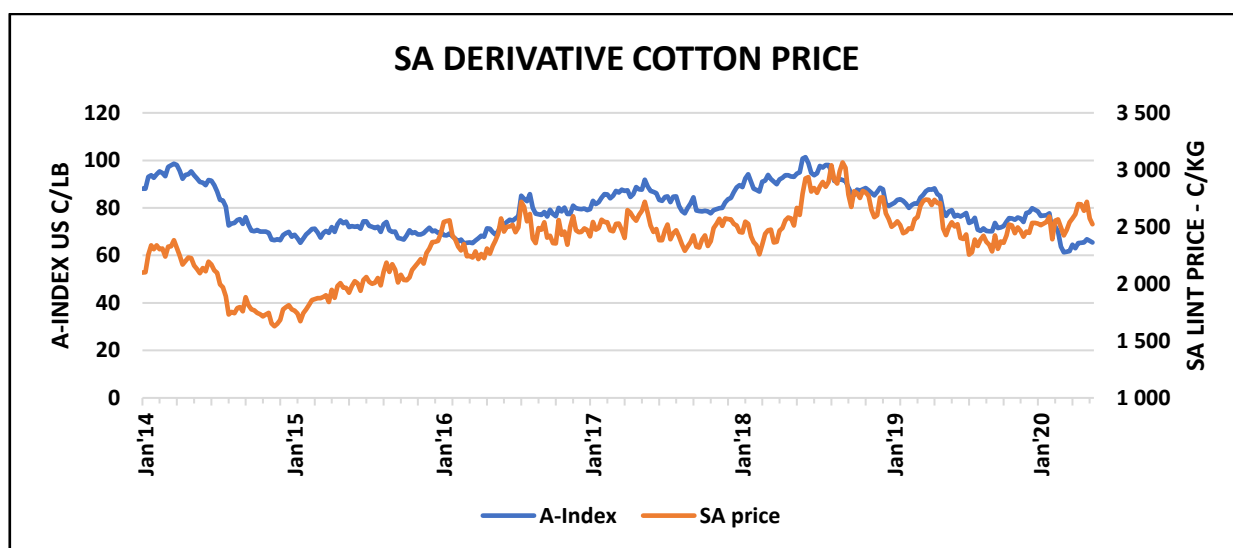


### Local

The 5<sup>th</sup> estimate for the 2019/20 production year indicates a cotton crop of 139 487 lint bales for the RSA, 3% down from last month's estimate. Ginners are normally conservative in their crop projections in the beginning of the harvesting season and expectations are that the final crop could surpass 150 000 bales. It will be the second consecutive year that the country will be a net exporter of cotton lint.

The world cotton price (A-Index quoted in US dollar) strengthened somewhat but was not enough to offset the stronger Rand, gained more than 11% over the past 30 days, which led to a lower South African derivative price towards the end of May beginning June but is still at levels comparative to the previous season.

RSA CROP 200 Kg Lint bales	2019/20 5th Estimate	2019/20 4 <sup>th</sup> Estimate	2018/19 Final Estimate
Ha Irrigation	12 306	11 779	24 921
Ha Dryland	15 940	16 317	16 792
<b>Total Ha</b>	<b>28 246</b>	<b>28 096</b>	<b>41 713</b>
<b>Yield: kg seed cotton per ha</b>			
Irrigation	4 827	4 800	4 536
Dryland	1 063	1 093	967
<b>TOTAL BALES</b>	<b>139 487</b>	<b>144 260</b>	<b>238 222</b>



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