



# COTTON MARKET REPORT

## OCTOBER 2020

### CONFLUENCE OF THE PANDEMIC, ECONOMIC SLOWDOWN AND TRADE TENSIONS TO HAVE ENDURING IMPACT

#### International

Global production is currently estimated to increase to 24.9 million tonnes, while global consumption is estimated at 24.4 million tonnes for 2020/21.

An active hurricane season in the US has decreased the size and quality of the US crop. Production in India and China is expected to increase. Australian cotton is primarily exported, but due to China's ban on cotton from Australia, exports will likely shift to other Asian cotton consuming countries. The US-China agreement to purchase large amounts of agriculture products remains in place and will ensure a market for US cotton. The Chinese government have announced that cotton from the Xinjiang region will be moved into the state warehouses in 2020/21. Trade tensions between countries that dominated the economic landscape prior to the pandemic, will likely continue to have an impact on recovery for the short to mid-term.

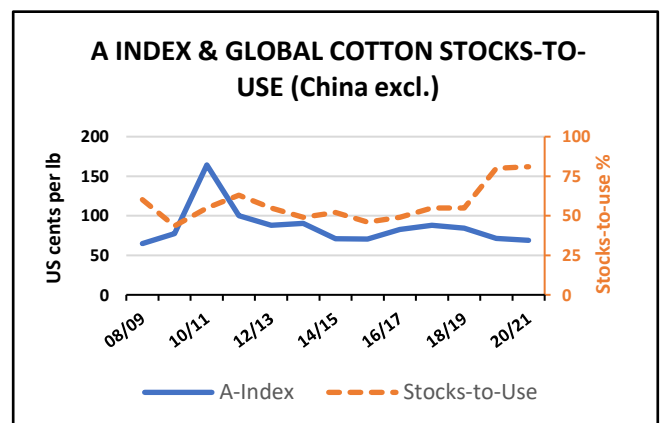
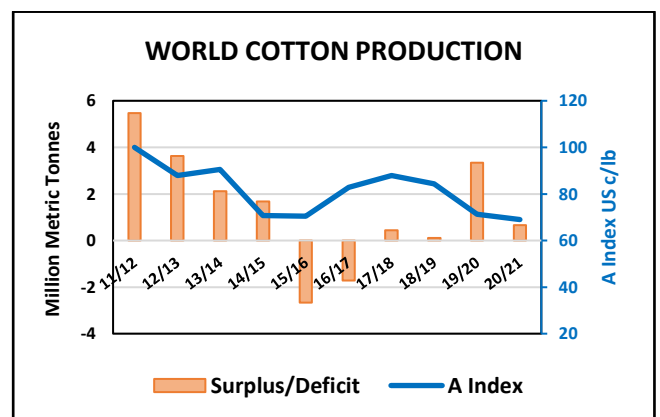
Second and third wave outbreaks of the pandemic have been reported across countries as the Northern Hemisphere enters its winter season. Although global consumption estimates show signs of recovery, it is estimated that the damages from the pandemic on the textile industry will be greater than that of the 2008 financial crisis.

Slow economic growth, slow consumer demand, ongoing trade tensions, high ending stock levels and the pandemic have contributed to lower cotton prices. However, some factors that may be influencing international cotton prices higher include lower global production, surge in commodity index fund investments and speculative buying as well as an increase in Chinese cotton prices from state purchases. Nevertheless, it is expected that the current level of ending stocks will continue to put pressure on how high cotton prices may rise.

Global trade is currently estimated at 9.3 million tonnes with the USA being the leader in exports in 2020/21.

World Cotton Balance Sheet

	Aug-Jul	2020/21	
	2019/20	September	October
Million Metric Tonnes Lint			
Beginning Stocks	18.79	21.69	21.70
Production	26.09	24.61	25.01
Mill-Use	22.75	24.34	24.35
Ending Stocks	21.70	21.97	22.40
Stocks/ Use (excl. China)	82%	79%	81%



## International Cotton Prices

The price projection for the 2020/21 year-end average of the A Index is US69 cents per pound this month.

<i>(Quotes in US cents per pound)</i>	(01/11/20)	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	75.75	68.20	78.40	75.25	86.40
NY Futures Nearby Contract <sup>a</sup>	68.92	61.84	72.11	64.23	79.03
Basis <sup>b</sup>	6.83	5.56	7.01	10.82	9.57
2020/21 average to date	71.98				
2019/20 average	71.33				

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

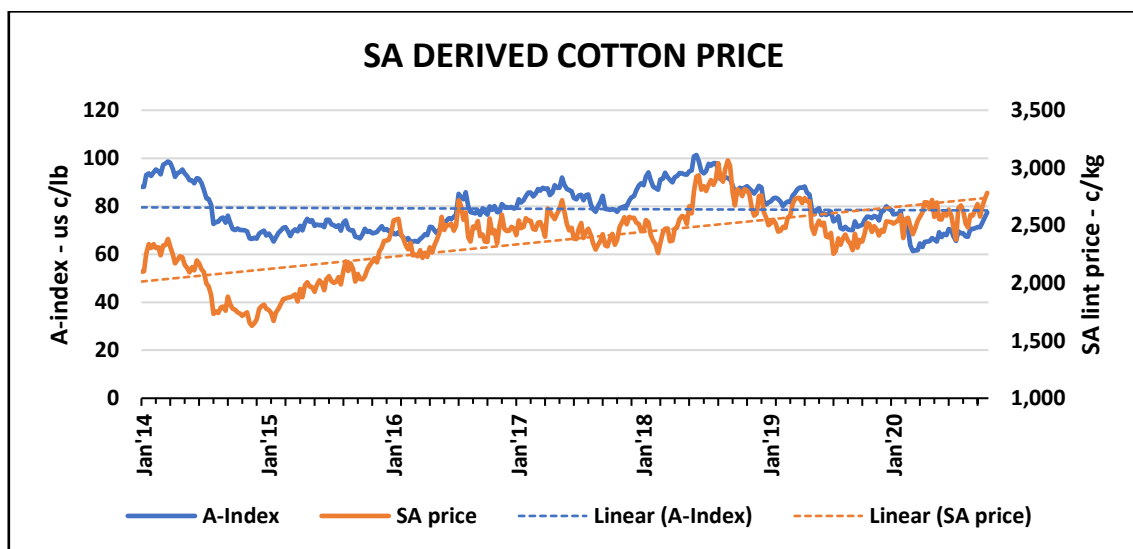
<sup>b</sup> Current A-Index minus Nearby NY (previous close)

## Local

The 10<sup>th</sup> estimate for the 2019/20 production year indicates a local cotton crop of 134 538 lint bales, 0.3% up from last month's estimate.

Domestic consumption of locally produced cotton from April to August 2020 is 40% lower than the same period the previous year, while consumption of imported cotton is 80% less than the corresponding period the previous year. Exports of lint bales from April to September 2020 is 5% less than the same period the previous year due to the lockdown.

RSA CROP 200 Kg Lint bales	2019/20 9th Estimate	2019/20 10th Estimate	2018/19 Final Estimate
Ha Irrigation	11 543	11 543	22 765
Ha Dryland	16 132	16 132	16 020
Total Ha	27 675	27 675	38 785
<b>Yield: kg seed cotton per ha</b>			
Irrigation	4 407	4 393	4 506
Dry land	1 190	1 206	967
<b>TOTAL BALES</b>	134 077	<b>134 230</b>	218 430



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