

COTTON MARKET REPORT FEBRUARY 2024



Cotton Trade is higher than last year amidst shipping problems

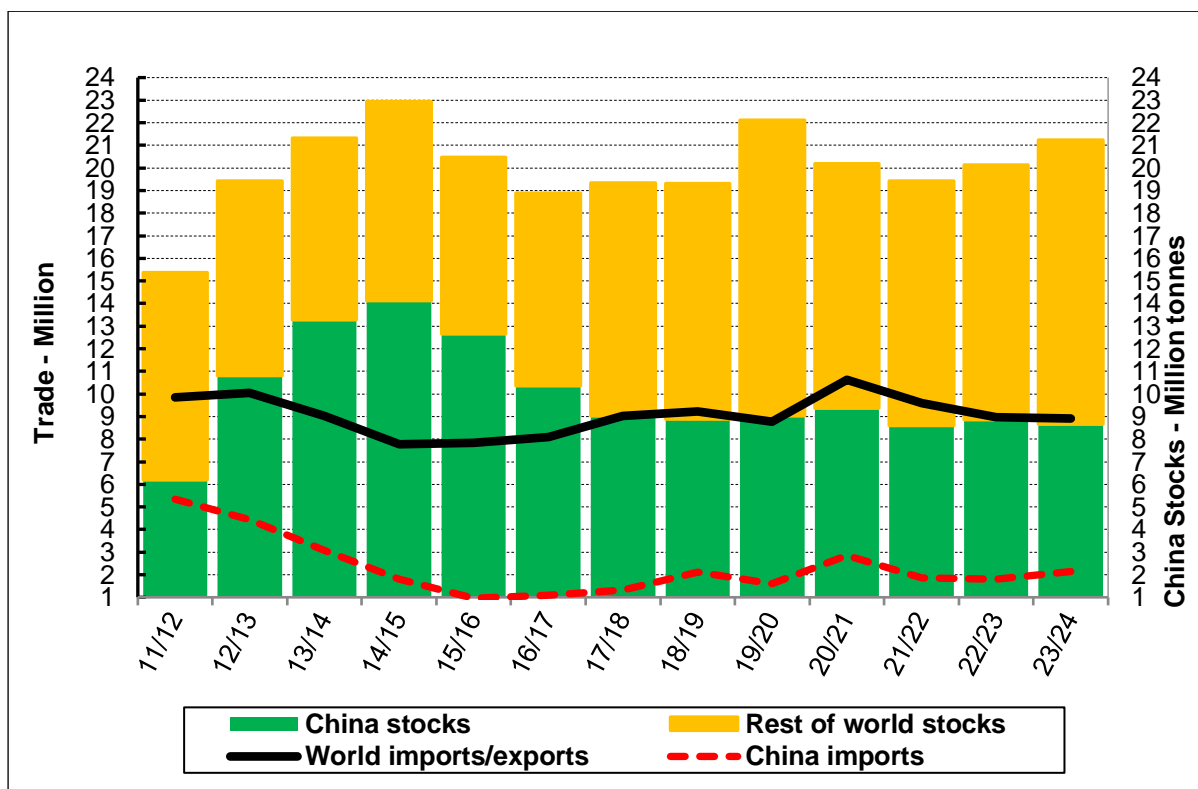
International situation

Global cotton production continues to outpace global consumption. This trend is not expected to change through the end of the current season. In light of this trend, global cotton prices, as reflected by the Cotlook A-Index, are expected to remain below 95 cents per pound (cpp). Despite the previous week's price advance to very near 95 cpp, we do not expect this advance to continue much longer. The simple fact that consumer demand is not driving this modest price increase would suggest a price retreat in the coming weeks to nearly 90 cpp.

In addition to weak consumption demand, geopolitical unrest has caused shipping complications in the Red Sea area. The price of shipping containers has increased significantly over the past several months. While they are a far cry from the elevated prices caused by the COVID-19 pandemic, they are nonetheless causing concerns for merchants and mills. The major impact zone seems to be those related to trade between West Africa and Asia, and European exports to Asia. Other cotton lint trading countries likely to be impacted include Egypt and India. India was Egypt's largest export destination in the 2022/23 cotton season. Several Indian merchants have commented on the significance of the shipping complications. They confirmed the elevated cost per container and the additional time required for shipping vessels to bypass the Red Sea and travel around the coast of South Africa. They mentioned that the only positive aspect was the diminished demand (if you can consider this a positive), and thus the minimal need for shipping now. However, if the conflict is not resolved and cotton lint demand increases, this situation can potentially mature into another shipping crisis, albeit more regional than global in scope.

Global cotton production is currently projected at 24.48 million metric tons. Global cotton consumption is 23.26 million metric tons. This distribution is not expected to change much through the end of the season. Despite reduced consumer sentiment and the accompanying lower consumer demand, the cotton trade remains above last season by more than 10%. Given the circumstances, that is a welcome improvement over the previous season. The ICAC Secretariat's current price forecast of the season-average A index for 2023/24 ranges from 81.02 cents to 103.61 cents, with a midpoint at 90.88 cents per pound (Source: [ICAC](#)).





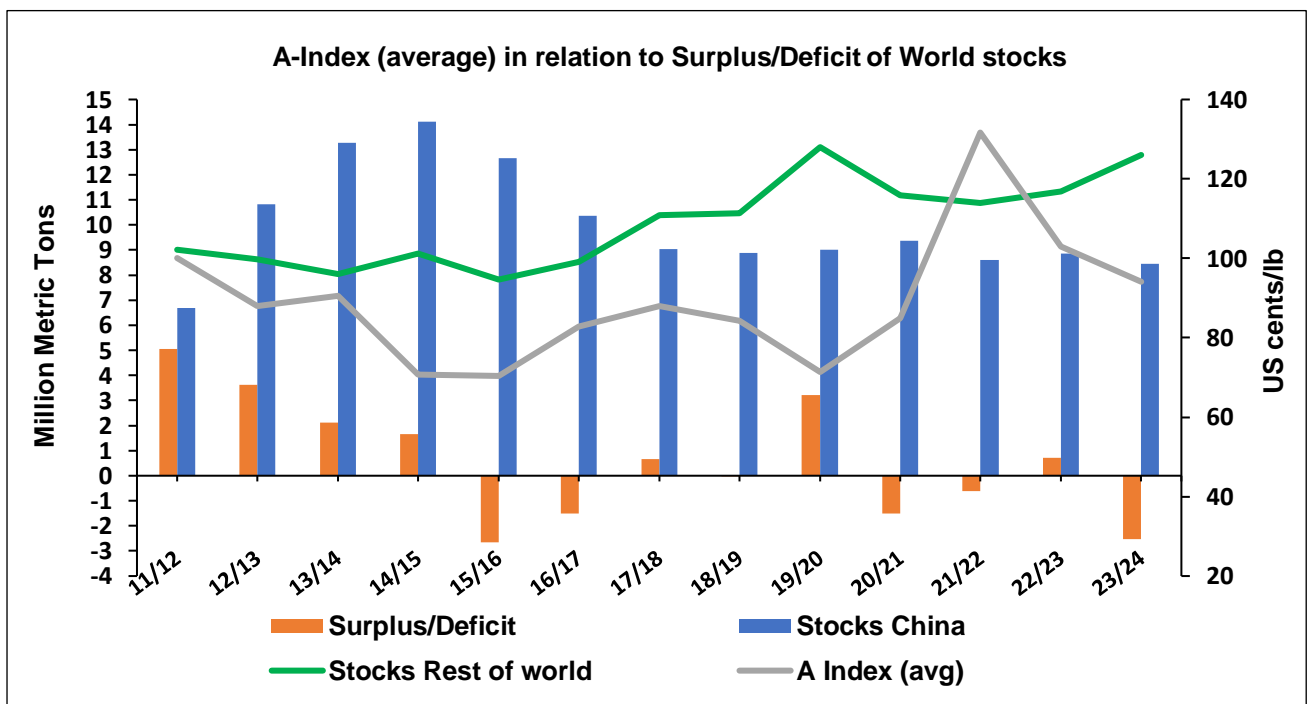
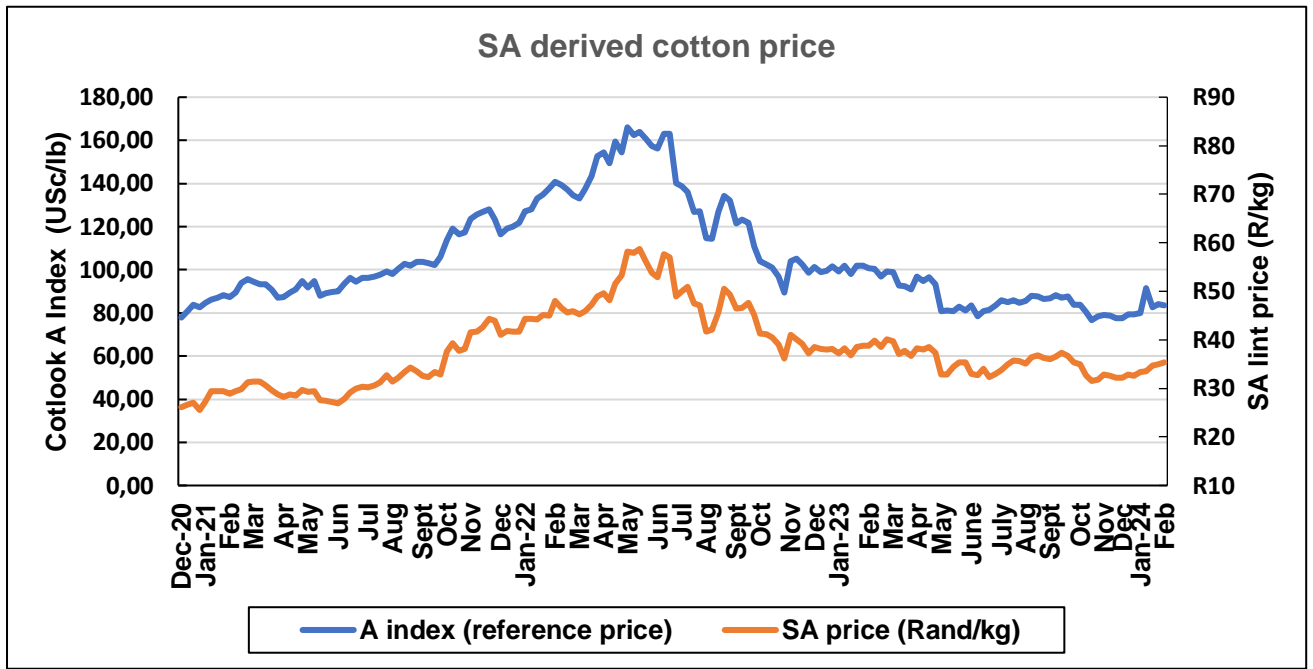
<i>(Quoted in US cents per pound)</i>	01/02/24	Season Low	Season High	1 Year Ago	2 Years Ago
Cotlook A-Index	94.10	87.55	100.10	101.35	141.10
NY Futures Nearby Contract ^a	85.17	77.34	88.73		127.33
Basis^b	8.93	8.92	13.31	15.13	13.53
2023/24 average to date^c	93.80				
2022/23 average^c	101.62				

^a Previous day's close.

^b Current A-Index minus Nearby NY ICE Nearby Futures (previous day settle price)

^c Average price for a given season, August 1 to July 31 or average-to-date.





Local situation

South Africa has its logistical problems when it comes to the shipping of cotton lint bales. Traders and Merchants must wait up to 3-4 weeks for a lint shipment to reach its planned location. Local ports remain under strain to ship containers. However, the industry does perform better when considering that Brazilian shipments can take up to two months to reach their destination, while 20 days for a shipment to be on route, is usually the average. For example, export of cotton lint bales from South American warehouses is delayed until May, while in West Africa the Cape Horn route shipments, are also extended to 50-60 days. Lower lint volumes originating from South Africa, ironically have their advantages.

The weekly average cotton reference price based on the NY Futures, provided to farmers every week, was 83,46 US c/lb (R35.42) on 26 February. The South African crop is sold based on the NY futures price of December 2024. The increase in the lint price in the short term does not affect the sale of the current crop. No lint stock is left that can be sold off on the spot to make use of the price increase.

For the past 2023 season, lint samples received by the Quality Control Division of Cotton SA, showed an average length of 1.13 HVI length ($1''^{5/32}$), an average micronaire of 4.1, an average Strength of 29,17 grams per text, and an average uniformity index of 80,81. Variation in micronaire values are expected, with the fluctuation in moisture levels and humidity. Producers need to make sure that optimum fibre development can take place in irrigated areas, to ensure full exposure of the open bolls to the available heat units, before harvesting. With a lot of rain that has fallen in some areas, weed growth has been excessive and it is difficult to perform adequate weed control. Contamination of cotton lint can influence leaf grades for the season.

Most of the national crop of 2023, fell within leaf Grade Codes 1, 2, or 3 (74,9% of the crop) and the average leaf grade was 2,52 for the season. Humidity and overcast days can result in the occurrence of sticky fungal growth, under high plant population densities that can influence the USDA grade (colour). Most of the South African crop (61.8%) falls within Good Middling, Strict Middling, and Middling grades.

Hectarages estimated for the 2024 season are 9 450 ha planted under dryland and 6 794 ha under irrigation. With the rain falling not in all the dryland production areas, some farmers have struggled to establish a crop. Where possible farmers have re-planted, but some areas in the North West province could not be re-planted. Production under dryland conditions remains challenging.

With the news of the Great North Cotton Gin in the Marble Hall area, being re-established, as well as the expansion of ginning capacity to the Springbok Flats, the hope is that this will stimulate production under dryland conditions, with the expansion of hectarages.

Smallholder production

The 2nd estimate for February 2024, for smallholder production, predicts a total of 5 612 lint bales to be produced in total, with most coming from the Makhathini KZN, equalling around 3 966 lint bales.

The aim of the Agricultural Agro-processing Masterplan (AAMP) is to produce 20% of the national crop by 2030. Dryland hectarages have decreased in Mpumalanga from 1 780 ha in 2023 (final estimate) to 1 580 ha (2nd estimate) in 2024. For KZN, dryland hectares have increased from 2 548 ha in 2023 (final estimate) to 2 680 ha (2nd estimate) in 2024. Challenges for smallholders remain access to alternative cultivars that can produce higher yields under handpicking practices, access to secure infrastructure for irrigation, and



access to finance that is affected by the absence of title deeds. The support for inputs received from the National and Provincial government structures remains a lifeline for smallholders to plant cotton, which is the only crop that can produce an income under challenging dryland conditions.

RSA CROP	2023/2024 2nd Estimate February 2024)	2022/2023 Final Estimate (November 2023)
Ha Irrigation	6 794	6 308
Ha Dryland	9450	13 556
Total Ha	16 254	19 864
Yield Irrigation (Kg seed cotton/ha)	4 304	4 327
Yield Dryland (Kg seed cotton/ha)	916	1 285
Total no. lint bales (@ 200kg/bale)	68 989	80 225

Enquiries: Dr Annette Bennett (012 804 1462)

