



COTTON MARKET REPORT

JUNE 2021

RECOVERY IN COTTON CONSUMPTION AND TRADE IN 2021/22

International Outlook

Global production for 2020/21 is estimated to be 24 million tons, which is the lowest in the last four seasons and represents a 7% decrease from 2019/20. Production is expected to recover next season to reach its pre-pandemic levels.

Global consumption has recovered from 2019/20 by 12.5% to reach 25.29 million tons in 2020/21 and is projected to improve further to 25.8 million tons next season. Lower production combined with higher demand will cause ending stocks to decline to stand at 20.99 million tons – a level similar to what was recorded in 2015/16.

Ending stocks are forecast to decline further in 2021/22 to 20.77 million tons, as mill use is expected to exceed production.

Cotton trade is recovering after the slowdown in 2019/20, especially as the global economy improves. Exports in 2020/21 have increased by 11.75% compared to 2019/20 and should remain at that level in 2021/22.

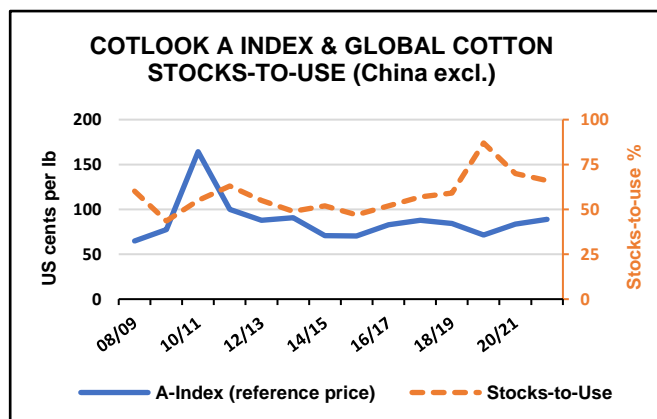
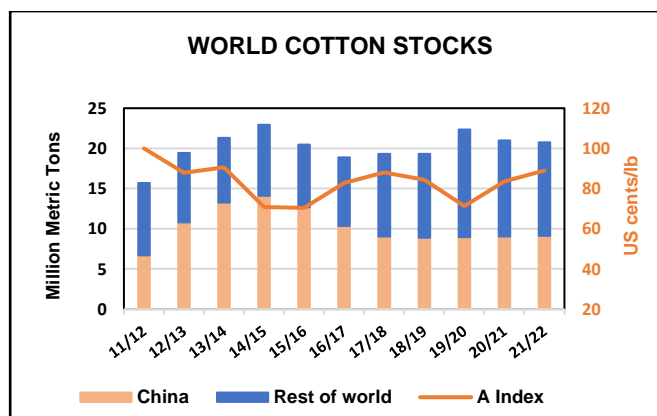
China's imports have been revised upward to 2.6 million tons, a 67% increase from last season and one of the highest import totals in the last seven years. Between August 2020 and April 2021, China had already imported 2.3 million tons of cotton and may issue another batch of import quotas soon to meet rising global demand for textiles. This increase could be because of three possibilities, namely:

- The improving situation in textiles and apparel sector and the global revival of demand for textile products
- The US-China Phase 1 Economic and Trade Agreement signed in January 2020, which covers cotton and mandates China to increase its imports from the USA; or
- The early 2021 US ban on the use of cotton from the Xinjiang region because of forced labour issues and the rising concerns amongst other governments and leading brands in the textile sector, which may force the domestic textile manufacturers to use imported cotton for producing their textile products.

The ICAC's current price projection for the year-end 2021/22 average of the A Index is 89 US cents per pound this month. **Source: ICAC**

WORLD COTTON BALANCE SHEET

	Aug-Jul	2020/21	
	2019/20	May	June
Million Metric Tons Lint			
Beginning Stocks	19.32	22.36	22.36
Production	26.14	24.32	24.22
Consumption	22.75	24.81	25.60
Ending Stocks	22.36	21.87	20.99
Stocks/ Use (excl. China)	87%	76%	70%



International Cotton Prices

<i>(Quotes in US cents per pound)</i>	Today 30/6/21	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	96.60	68.20	98.50	67.95	77.00
NY Futures Nearby Contract ^a	86.66	61.84	92.33	59.62	63.15
Basis ^b	9.94	5.09	10.73	8.33	13.85
2020/21 average to date	83.63				
2019/20 average	71.33				

^a Previous day's close

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

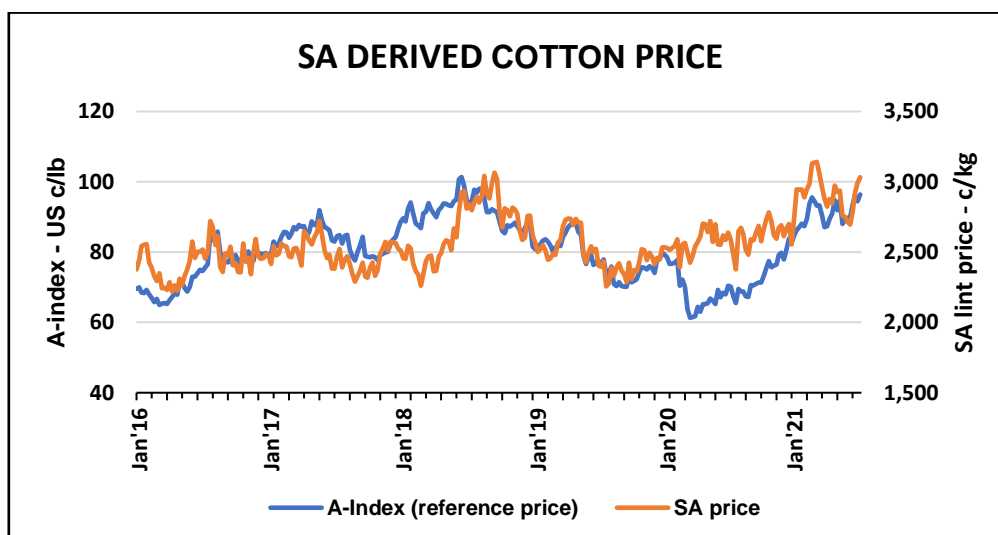
Local Outlook

Local cotton production is estimated at 78 067 lint bales for June 2021, marginally lower than the previous month.

Harvesting is in full swing and indications are that the grade and the quality of the cotton fibre show improvement over the previous season with resulting better compensation to farmers. Dry land yields are also performing better than initially anticipated.

The world Cotton A Index which is a reference price, stands 42% higher than a year ago and remains at historically elevated levels. The locally derived price of cotton has consequently strengthened due to the higher world price in US dollar.

RSA CROP	2020/21 5th Estimate	2020/21 6th Estimate	2019/20 Final Estimate
Ha Irrigation	5 763	5 814	11 543
Ha Dryland	11 009	10 584	16 132
Total Ha	16 772	16 398	27 675
Yield: kg seed cotton per ha			
Irrigation	4 536	4 360	4 393
Dryland	1 578	1 643	1 206
TOTAL LINT BALES	79 442	78 067	134 230



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