

# COTTON MARKET REPORT JUNE 2024



## International developments

Global cotton production is projected to be 24.09 million metric tonnes lint, consumption at 25 million metric tonnes, while 9.82 million metric tonnes are exported and imported around the globe.

Brazil shows the highest exports, 2,7 million metric tonnes, with the USA following by exporting 2,57 million metric tonnes. The country with the highest imports is China at 3 million metric tonnes. Ending stocks globally stands at 18.51 million metric tonnes, of which China has most at 8,71 million metric tonnes. On a global scale, China is a leading importer of cotton, which is evident from its fluctuating market share between 14% and 34% since 2017. By 2023 and 2024, China had become the largest importer by a significant margin, underscoring its crucial role in the global cotton market. The United States has been the largest cotton-exporting country in the world, with its market share ranging from 28% to 39% since 2017.

The trade dispute between the USA and China has had profound implications for the global textiles and cotton markets. Although the Phase One trade agreement signed in 2020 temporarily eased tensions, the broader impact of the dispute has persisted.

China's dominance as a supplier of textiles to the USA has diminished, with its market share and total export value experiencing a notable

decline. This shift has prompted the USA to diversify its import sources, leading to significant growth in textile and apparel imports from countries like Vietnam, Bangladesh, Turkey, Pakistan, Mexico, and India. Meanwhile, in the global cotton market, China has fortified its position as a leading importer, while the USA, despite a decrease in market share due to the trade tensions, continues to be a major exporter. Notably, Brazil has emerged as a formidable competitor, particularly in supplying cotton to China. Overall, the trade conflict has catalyzed a reshaping of the global supply chain, underscoring the adaptability and resilience of the international textile and cotton industries in response to geopolitical challenges (ICAC, 2024a).

The Cotton Price has shown some volatility (ICAC, 2024). The ICAC reports on trends and upcoming challenges during the 2022/23 season, the Cotlook A-Index averaged 101.6 cents per pound, a decrease of 22.8% from the previous season. Despite this decline, it was still the second highest average since the 2010/11 season. This drop in price was primarily due to a slowdown in demand for textile fibres and reduced global mill use. China and India, the top two cotton-consuming countries, which collectively transform over 50% of cotton into yarn, reduced their mill use by 10% and 2% respectively in 2022/23. Other significant



reductions in mill use were observed in Pakistan (22%), Turkey (10%), Bangladesh (8%), and Vietnam (11%). Together, these six countries account for 81% of global cotton mill use.

In 2022/23, cotton prices experienced lower variability than in the previous season. As the 2023/24 season nears its end, the variability of cotton prices appears to have further decreased. From August 2023 to May 2024, the A-Index peaked at 107.0 cents per pound on February 29, 2024, and hit a low of 83.3 cents per pound on May 3, 2023. The relative spread of the A-Index has been 25.2%, the lowest in the past nine years. Several factors could contribute to increased volatility in cotton prices in the coming season due to concerns about exportable supply, global mill use and stagnant GDP growth (further reading, ICAC, 2024b).

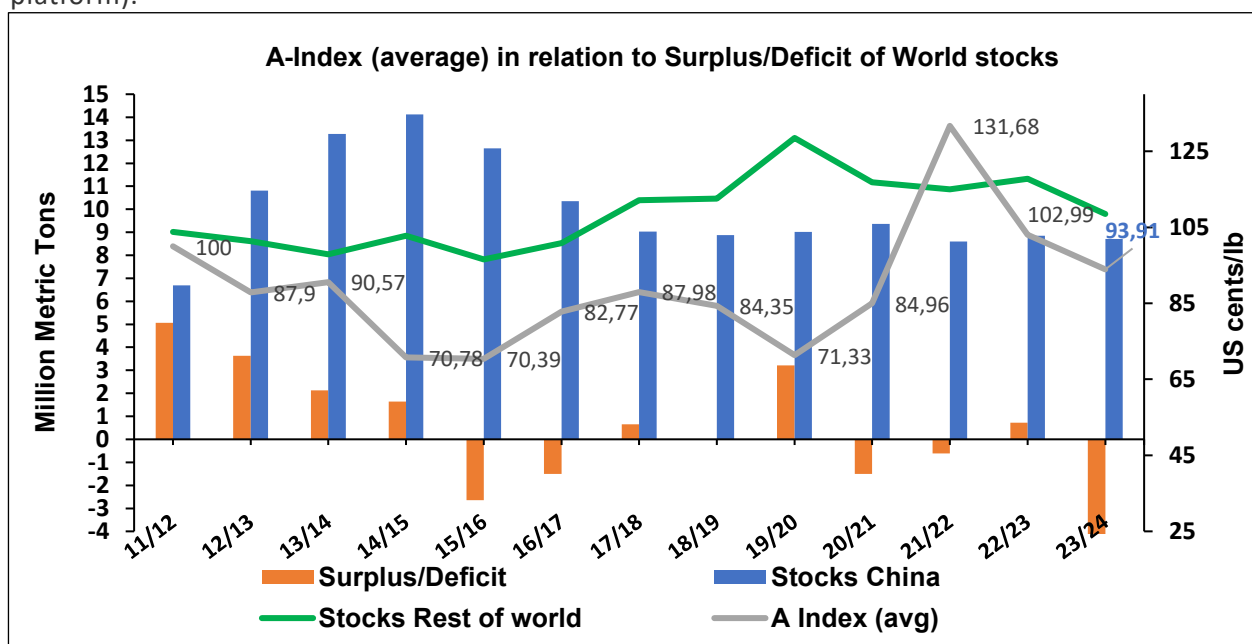
The Bremen cotton report also mentions a downward trend in trade continuing (baumwollboerse.de). The Intercontinental Exchange (ICE) Cotton No. 2 futures continued a downward trend (ICE U.S. Cotton No. 2 contract is the benchmark contract for the global cotton trading community, pricing physical delivery of US-grown, exchange-grade product, graded by the U.S. Department of Agriculture. ICE Cotton No. 2 futures and options trade both by open outcry and by electronic trading on the ICE platform).

With only few exceptions, all trading days closed with price losses. In the middle of the reporting period, there was a change in the relationship between the trading months July and December. July dropped considerably stronger than December experiencing losses below the 70 cents/lb mark. December, however, developed rather sideways recently with a slightly positive trend and ended above the nearest future of July. Several factors exerted pressure on cotton prices: the favourable weather conditions in the U.S., the U.S. dollar exchange rate as well as the upcoming First Notice Day which is often leading to slightly declining futures. Some evidence has recently suggested that demand is recovering, partly due to the low futures. However, this trend has remained dampened by the strengthening dollar.

The European market remained subdued. This is unlikely to change soon, as the summer vacations with the corresponding company holidays are just around the corner ([https://icac.shinyapps.io/ICAC\\_Open\\_Data\\_Dashboard/#](https://icac.shinyapps.io/ICAC_Open_Data_Dashboard/#)).

### Price Projections

The Secretariat's current price forecast of the season-average A-index for 2023/24 ranges from 92.00 cents to 97.00 cents, with a midpoint at 94.00 cents per pound. (ICAC).



## Pricing

The **Cotlook A-Index** is one of the world's most important indices. It refers to both currently available and future deliverable commodities in the Far East, including loading and shipping costs (CFR). It is formed from the average of the five lowest quotations of a selection (currently eighteen) of the most important internationally traded upland cotton grades for a defined base quality ([baumwollboerse.de](http://baumwollboerse.de)).

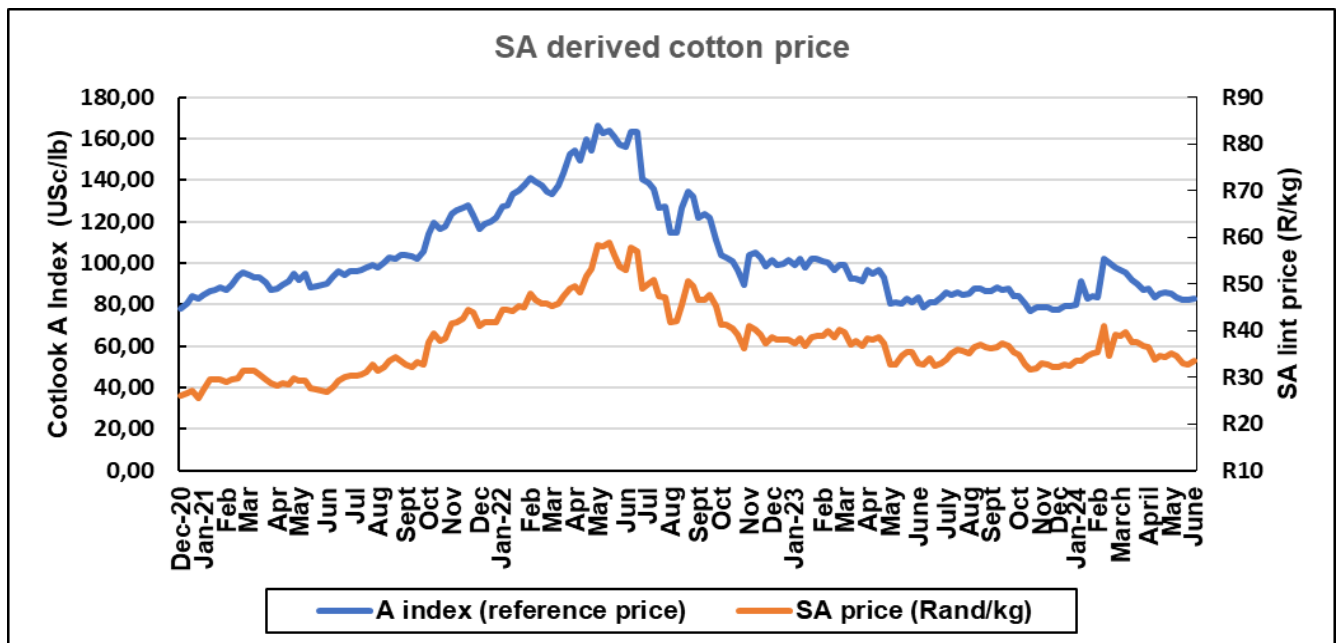
The term **New York Cotton Futures** refers to goods available in the future. A daily value is quoted for specific trading months spread over several harvest seasons. The futures contracts enable cotton traders and their customers to buy cotton today at a certain price, which will not be delivered until later months. The goal here is primarily a hedging transaction rather than the actual purchase of the commodity. It should be noted that, as with all forward transactions, price developments are strongly influenced by investment transactions.

<i>(Quoted in US cents per pound)</i>	03/06/24	Season Low	Season High	1 Year Ago	2 Years Ago
Cotlook A-Index	82.95	81.70	107.00	91.95	140.60
NY Futures Nearby Contract <sup>a</sup>	69.81	68.19	103.07		103.68
Basis <sup>b</sup>	13.14	3.93	14.01		36.66
2023/24 average to date <sup>c</sup>	92.93				
2022/23 average <sup>c</sup>	101.62				

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

<sup>b</sup> Current A-Index minus Nearby NY ICE Nearby Futures (previous day settle price)

<sup>c</sup> Average price for a given season, August 1 to July 31 or average-to-date.



## Local situation

The derived South African cotton price for June 2024, based on the weekly average over the month. The weekly average cotton reference price based on the NY Futures, provided to farmers every week, was 74,70 US ending on 28 June 2024. Cotlook A-Index (US c/lb) was R33,51/kg lint c/lb (R30,00), for SLM 1 1/16", for the last week of June 2024.

Cotton SA evaluated more samples (n=38 061) in comparison with the same period in 2023 (n=21 106). Of the samples evaluated, 81% of the samples combined, were in the top grades, of GOOD MIDDLING, STRICT MIDDLING AND MIDDLING.

The average fibre length of the national crop so far is 1,17 HVI length (1 5/32"); average micronaire is 4.25, and the fibre strength is 30,14 grams/Tex. The season is near ending, with ginneries in full swing. The Limpopo province is estimated to produce the highest volumes of lint, by producing 43 859 lint bales (statistical) according to the 6<sup>th</sup> crop estimate. Following on, is the Northern Cape that is estimated to produce 14 205 lint bales. The KwaZulu-Natal province which includes smallholder bales, will be around 7 859 bales, followed by the Northwest province, of 4 617 bales, with smaller amounts shared between Mpumalanga and Ruste de Winter in Gauteng.

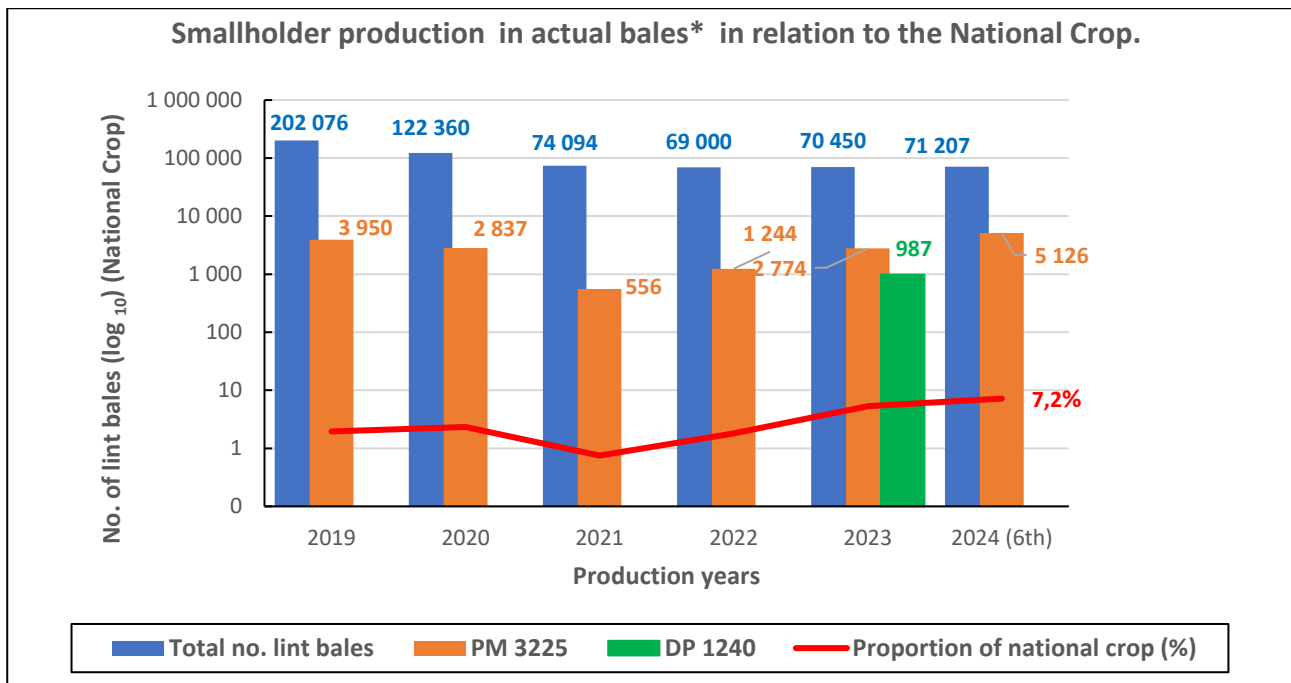
RSA CROP	2023/2024 6 <sup>th</sup> Estimate (June 2024)	2022/2023 Final Estimate (November 2023)
Ha Irrigation	6 997	6 308
Ha Dryland	9 475	13 556
<b>Total Ha</b>	<b>16 472</b>	<b>19 864</b>
Yield Irrigation (Kg seed cotton/ha)	4 254	4 327
Yield Dryland (Kg seed cotton/ha)	828	1 285
<b>Total no. lint bales (@ 200kg/bale)</b>	<b>71 207</b>	<b>80 225</b>



## Smallholder production

The estimate for Smallholder production in Mpumalanga (Nkomazi) remains the same, at 900 ha, produced under dryland circumstances, with disappointing low yields of 400 kg seed cotton per ha. With current Bollgard II and Roundup Ready Flex traits, these yields are not acceptable. A workshop on smallholder production is planned to address the issues. Smallholder production makes out 7,3% of the national crop.

Smallholders need access to varieties that are high yielding, short season varieties and suited for hand-picking to give optimal boll carrying capacity that will reflect yield. A multi-focussed strategy is needed to address the issues around smallholder production, which includes access to land, land ownership, access to finance, rising input costs, climate change and its effect on the planting window, among other things.



## References:

ICAC, 2024a. (Y. LIU). Status and Impacts of the USA-China Trade Dispute on the Cotton Industry. In: Cotton review of the World Situation 77 (3): 5-9.

ICAC, 2024b. (L. RUIZ). From pandemic recovery to geopolitical shocks: The volatile Journey of commodity prices. In: Cotton review of the World Situation 77 (3): 22-26.

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