COTTON MARKET REPORT MARCH 2024

Globally, the 2024/25 forecast looks promising.

International situation

Global consumption is the big surprise this season. Given the turmoil with the global economic conditions and low consumer confidence, consumption was expected to remain lower this season. In fact, early indications were that production would outpace consumption by a healthy margin. This is no longer the case. Consumption is now ahead of production by 80,000 tonnes. This is due in part to the fact that global markets stabilised with the successful reduction of inflation in many large countries. This had the effect of improving consumer confidence, albeit slowly, which are now starting to realise in the global economy through increased consumption of lint. If this trend continues into the 2024/25 season, the cotton global picture can show some big gains. The initial global forecast for the 2024/25 cotton season shows all major variables in the green, reflecting positive trends.

Area, production, consumption, and trade are all posting gains over the 2023/24 season:

Area is showing a 3% increase over 2023/24 at 32.85 million hectares

Production is showing an increase of just over 2.5% at 25.22 million tonnes

Consumption is forecasted to increase 2.9% to 25.37 million tonnes.

Trade (imports and exports) is currently forecasted to increase nearly 4% over the 2023/24 cotton season to 9.94 million tonnes. Global yield is expected to drop slightly (0.12%) to 768 kg/ha. Global cotton yield has been falling since the 2017/18 season and continues to decline into the 2024/25 crop year. This is likely due to extreme weather caused by global climate change and pest pressures brought on by adverse weather conditions, also a result of global climate problems.

China is the world leader in cotton production, consumption, and imports. Area and production are both forecasted to decrease in the 2024/25 season by nearly 6% to 2.7 million hectares and 5.27 million tonnes. Consumption is expected to increase by nearly 4% to 8.1 million tonnes, which would suggest China will need to import significantly more cotton than in the 2023/24 cotton season. It is expected that China will increase imports by 600 000 tonnes of cotton from their major importing partners, including the United States, Brazil, and Australia. If this forecast is true, then India is expected to become the world leader in cotton production for the 2024/25 season.

The United States is forecast to increase its major variables in the 2024/25 season. The largest cotton growing region in the USA is the High Plains area of West Texas. This region has suffered from severe drought for the past several season. If a third year of drought persists, it could spell serious trouble for the cotton sector in the Texas High Plains.

However, pre-planting soil moisture in the High Plains is currently adequate and the current weather patterns suggest sufficient rainfall. The question remains — as it does every season: Will the rain fall where and when it is needed to help promote strong germination and plant development? Area is forecasted to increase 33% over the 2023/24 season to 3.8 million hectares. Production is expected to increase 32% to 3.48 million tonnes. Given the fore-cast for China, exports in the United States are expected to increase more than 12% to 3 million tonnes. This is a stark difference from the 2.68 million tonnes estimated to be exported in the 2023/24 season.

Global cotton prices are expected to rise slightly in the 2024/25 season. This forecast is based on the current balance sheet for the upcoming crop year, in which we have consumption outpacing production slightly. If adverse weather conditions reduce the 2024/25 crop, significantly higher prices are expected to materialize. Consumption is expected to continue to strengthen and consumer confidence to continue to improve. If this expectation holds, cotton prices will increase — especially given the levels of production currently being forecasted.

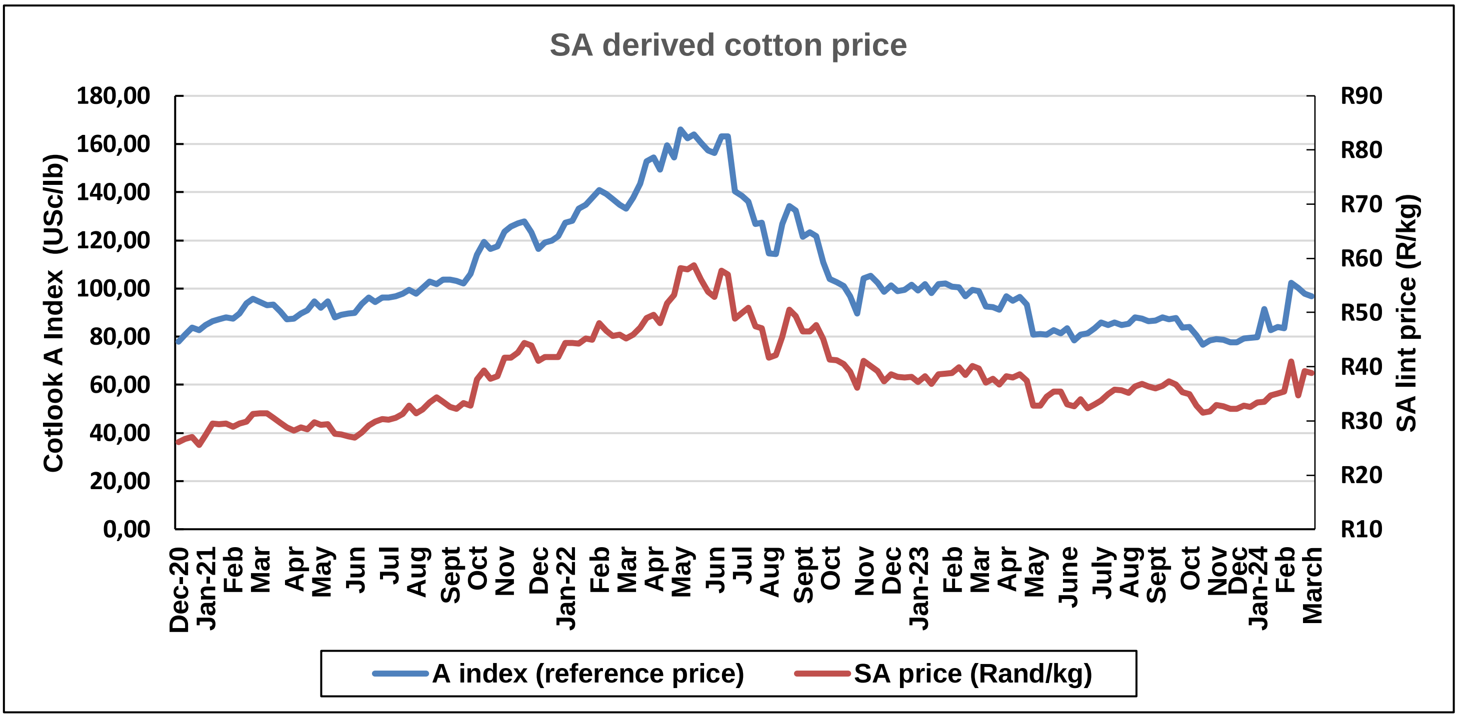
The Secretariat's current price forecast of the season-average A index for 2023/24 ranges from 85.67 cents to 100.62 cents, with a midpoint at 92.20 cents per pound (www.icac.org).

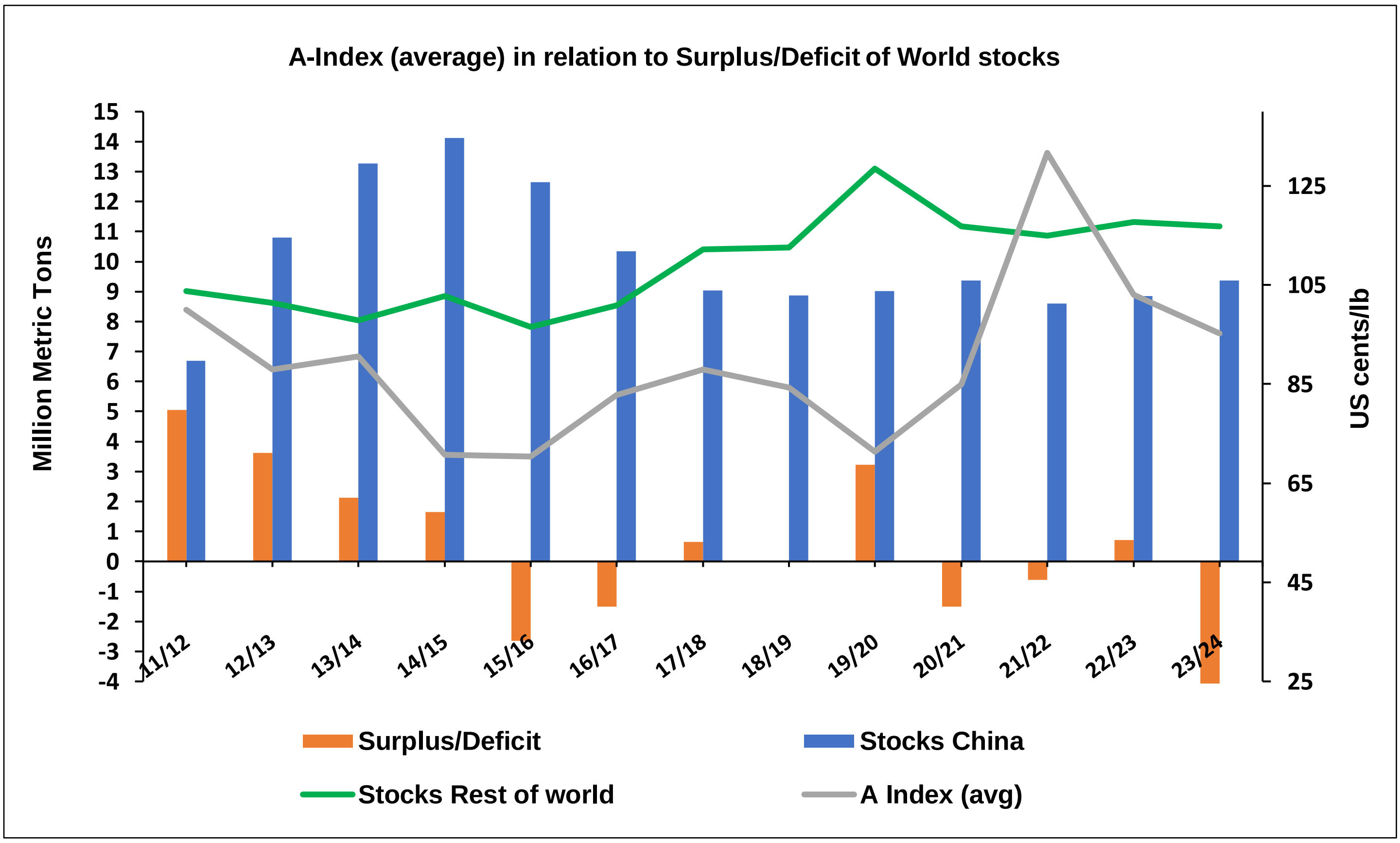
(Quoted in US cents per pound)	01/04/24	Season Low	Season High	1 Year Ago	2 Years Ago
Cotlook A-Index	95.60	87.55	107.00	97.55	152.30
NY Futures Nearby Contract [a]	90.77	77.34	103.07	82.78	134.55
Basis[b]	4.83	3.93	13.31	14.05	16.61
2023/24 average to date[c]	95.23				
2022/23 average[c]	101.62				

[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.


SA derived cotton price
Cotlook A Index (USc/lb)
SA lint price (R/kg)
180,00
160,00
140,00
120,00
100,00
80,00
60,00
40,00
20,00
0,00
R90
R80
R70
R60
R50
R40
R30
R20
R10
Dec-20
Jan-21
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept
Oct
Nov
Dec
Jan-22
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept
Oct
Nov
Dec
Jan-23
Feb
Mar
Apr
May
June
July
Aug
Sept
Oct
Nov
Dec
Jan-24
Feb
March
A index (reference price)
SA price (Rand/kg)


A-Index (average) in relation to Surplus/Deficit of World stocks
Million Metric Tons
US cents/lb
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
-1
-2
-3
-4
125
105
85
65
45
25
11/12
12/13
13/14
14/15
15/16
16/17
17/18
18/19
19/20
20/21
21/22
22/23
23/24
Surplus/Deficit
Stocks China
Stocks Rest of world
A Index (avg)

Local situation

The weekly average cotton reference price based on the NY Futures, provided to farmers every week, was 83,91 US c/lb (R35.14) on 28 March 2024.

RSA CROP	2023/2024 3rd Estimate (March 2024)	2022/2023 Final Estimate (November 2023)
Ha Irrigation	6 701	6 308
Ha Dryland	9 475	13 556
Total Ha	**16 176**	**19 864**
Yield Irrigation (Kg seed cotton/ha)	4 309	4 327
Yield Dryland (Kg seed cotton/ha)	857	1 285
Total no. lint bales (@ 200kg/bale)	**67 363**	**80 225**

The 3rd estimate for the 2024 season predicts that 9 475 ha planted under dryland and 6 701 ha under irrigation will be harvested at end of the season. With little or no rain at all falling in some of the dryland North West regions, a smaller crop can be expected. Careful consideration should be paid to timing of harvesting to give the crop adequate time to mature. The industry, together with important role-players, is looking at new strategies to unlock potential hectares, especially under dryland conditions.

Smallholder production

The 3rd estimate for March 2024, for smallholder production, predicts a total of 5 612 lint bales (200kg lint/bale) to be produced. The Makhathini Flats is the largest cotton production region for smallholder production, and the Ubongwa Cotton Ginnery is going through some refurbishing to upgrade the processing plant's infrastructure to enable optimal processing of seed cotton for the current season's crop, while a new gin stand will be erected after the harvesting season. Supplementing the ginnery with a new gin stand will increase ginning capacity and the hope is that smallholder production will grow in the area. Government is looking at providing more support in terms of extension services for farmers. Other areas like Matlerekeng and Dennilton are also being focused on and the hope is that these areas will expand in the coming season. The concept of farming better with what you have access to, should be emphasised. Production per hectare is important not chasing hectares, to create viable economically sustainable farming units.

Enquiries: Dr Annette Bennett (012 804 1462)