COTTON MARKET REPORT
MAY 2022

COTTON PRODUCTION AND CONSUMPTION INVERT AS THE SEASON COMES TO A CLOSE

International outlook

Summary of the 2021/22 crop season

During the final two months of the 2021/22 season, the ICAC officially inverted the production and consumption ratios. For the entire season the production and consumption have been closely matched, with production only slightly outpacing consumption by a few thousand tons. However, due to reductions in the Indian crop by 425 000 tons, this reduction caused global consumption to now exceed production. Consumption in the 2021/22 season remains unchanged at 26.16 million tons and production is now reported at 25.89 million tons. Global ending stocks have fallen to 20.34 million tons, the lowest in the past three seasons.

Projections for the 2022/23 crop season

Global area in the 2022/23 season is estimated to decrease by 1% to 32.78 million hectares. This is largely driven by an 11% decrease in area in the United States, a 5% decrease in Australia and a 1% decrease in Brazil. The high price of fertilisers and the high cost of fuel is undoubtedly influencing planting decisions all over the globe. The conflict in Eastern Europe and its effects in Central Europe are causing problems for the global markets. Adverse weather conditions are another reason why area is not increasing.

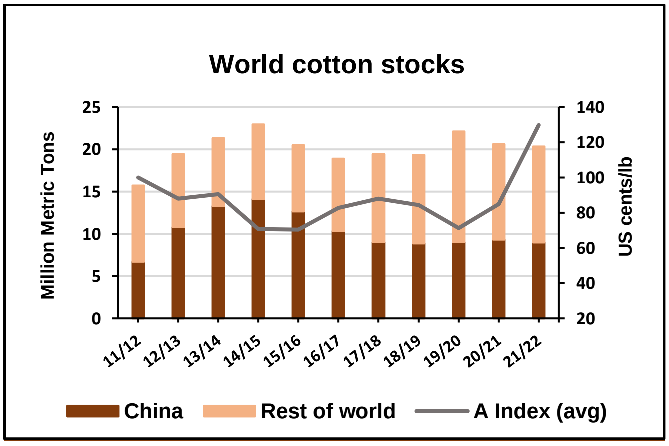
Global production for the 2022/23 season is projected to be 26.13 million tons, a 1% increase over the previous season. The increase in production is led by a 25% increase in Pakistan's cotton lint production. The country is actively trying to reduce cotton imports and reduce the trade deficit related to cotton, which has been increasing in recent years. To fill the gap between consumption and production, Pakistan has had to import as much cotton as it has produced. When looking at production specifically in West Africa, an impressive picture emerges. Every cotton producing country in West Africa is projected to increase its production compared with the previous season. If yields continue to improve, West Africa should continue to rise in the ranks.

Global consumption is currently projected at 26.09 million tons. This is a 0.25% decrease from the previous season. Global trade is projected to decrease by 0.58% to 10.03 million tons.

The international reference price of cotton (Cotlook-A index) continues to remain elevated at near historic levels. The high price of cotton has historically incentivised farmers to plant more cotton, but first projections for the 2022/23 season show that cotton area will decrease. ***Source: ICAC***

World cotton balance sheet

	Aug-Jul	2021/22	
	2020/21	April	May
	Million Metric Tons Lint		
Beginning Stocks	22.12	20.63	20.61
Production	24.38	26.43	25.89
Consumption	25.66	26.16	26.16
Ending Stocks	20.61	20.90	20.34
Stocks/ Use (excl. China)	65.46%	66.68%	63.62%



International Cotton Prices

(Quotes in US cents per pound)	01/06/22	Season Low	Season High	1 Year ago	2 Years ago
Cotlook A Index	**156.95**	**97.90**	**173.45**	**89.90**	**65.45**
NY Futures Nearby Contract [a]	**138.98**	**89.89**	**158.02**	**84.25**	**60.06**
Basis[b]	**17.97**	**6.40**	**19.72**	**7.78**	**7.86**
2021/22 average to date	**129.74**				
2020/21 average	**84.96**				

[a] *Previous day's close*

[b] *Current A-Index minus Nearby NY (previous close)*

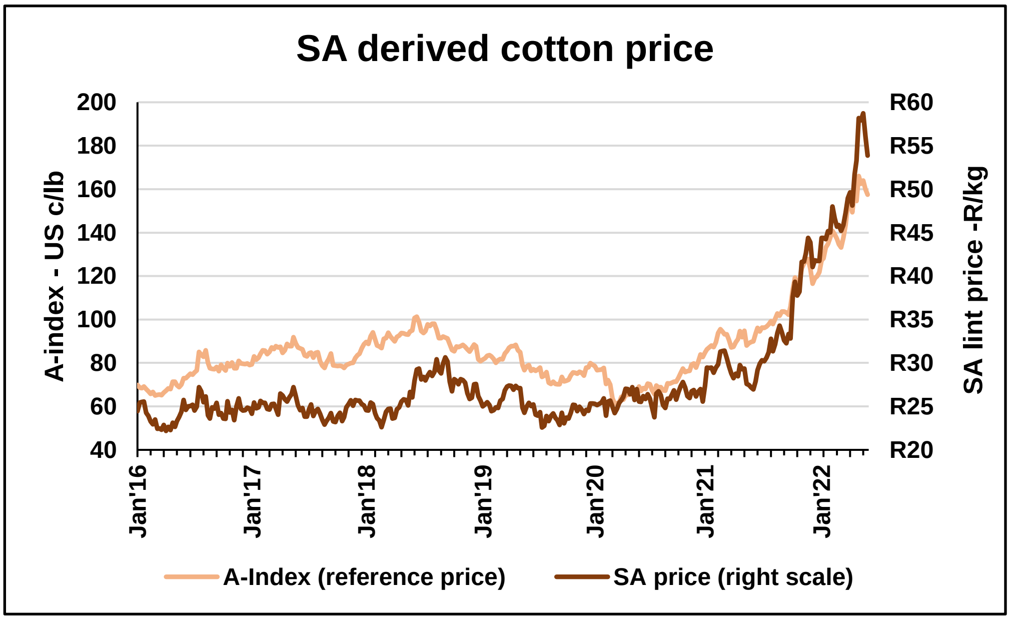
Local Outlook

This month's estimate points to roughly 66 800 lint bales, which is slightly down from last month.

The harvesting and ginning season are in full swing and early indications are that the crop is performing better in terms of quality than the corresponding period the previous season. While it is still too early to say but indications are that yields in general might be worse off than last season because of prolonged humid conditions during boll set and development.

The international reference price for cotton (Cotlook A-Index), continues to remain elevated at near historic levels while the ongoing conflict in Eastern Europe may drive prices up further in 2022. Consequently, derived cotton lint prices will remain at record levels in 2022/23.

RSA CROP	2021/22 4th Estimate	2021/22 5th Estimate	2020/21 Final Estimate
Ha Irrigation	6 275	6 527	5 900
Ha Dryland	7 769	9 804	10 600
Total Ha	14 044	16 331	16 313
Yield: kg seed cotton per ha			
Irrigation	4 140	4 169	4 650
Dryland	1 523	1 043	1 550
Total lint bales	**67 668**	**66 786**	**77 600**



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