COTTON MARKET REPORT MAY 2024

International developments

Global cotton use is forecast up 3.5 million to 116.9 million bales, the highest level in 4 years. Consumption levels stagnated since the 2020/21 record of 124.3 million bales, with the last 2 marketing years averaging roughly 112.5 million bales. Greater cotton supplies and low global inventories of cotton textiles and products are expected to boost future use. Consumption is forecast to grow 3.0 percent year-over-year, double the long-term annual average of 1.6 percent since 1960/61. Still, overall cotton consumption is once again projected below trend as competition from man-made fibres continues to pressure global use. The most pivotal factor favouring higher consumption in 2024/25 is expectations for greater replenishment of inventories along the cotton supply chain. Current textile and product inventories are significantly lower compared with the previous 2 years as recent global cotton fiber consumption and cotton product import levels both indicate. Clothing retailers had significantly lower import demand in the calendar year 2023 and the first quarter of 2024 due to excess inventories accumulated during the pandemic, higher inflation and financing costs, and economic malaise in the European Union (second largest import market). The (USDA, Cotton world markets & trade, May 2024).

In 2023/24, global cotton production is characterized by significant regional disparities and advancements in technology. Major cotton-producing countries like India, China, the United States, Pakistan, and Brazil continue to dominate the market. India remains one of the world's largest cotton producers, with substantial contributions from states including Gujarat, Maharashtra, and Telangana. China's Xinjiang region is also a critical hub for cotton cultivation, although it is facing international scrutiny and trade restrictions due to human rights concerns. Technological advancements have played a pivotal role in enhancing cotton yields. Genetically modified (GM) cotton varieties that are resistant to pests and diseases have been widely adopted, leading to increased productivity and reduced reliance on chemical pesticides. Precision agriculture, involving the use of drones, satellite imagery, and IoT devices, has optimized irrigation, fertilization, and pest management practices, further boosting yields and sustainability.

Despite technological progress, cotton production in 2024/2025 faces numerous challenges. Climate change poses a significant threat, with erratic weather patterns, prolonged droughts, and increased incidence of pests and diseases affecting crop yields. Regions like the southern United States and parts of Australia have experienced severe droughts, leading to reduced cotton acreage and lower production. Research and development in biotechnology are paving the way for new cotton varieties that are more resilient to climate change and require fewer inputs. The adoption of regenerative agriculture practices, which focus on soil health and biodiversity, is gaining traction to enhance sustainability and mitigate environmental impacts.

Digitalization of agriculture, through the integration of big data, artificial intelligence, and blockchain technology, is revolutionizing cotton farming.

Farmers can access real-time data on weather conditions, soil health, and market trends, enabling more informed decision-making and efficient resource management. Blockchain technology is enhancing traceability and transparency in the cotton supply chain, ensuring that consumers can verify the origin and sustainability of their cotton products (ICAC)

Price Projections

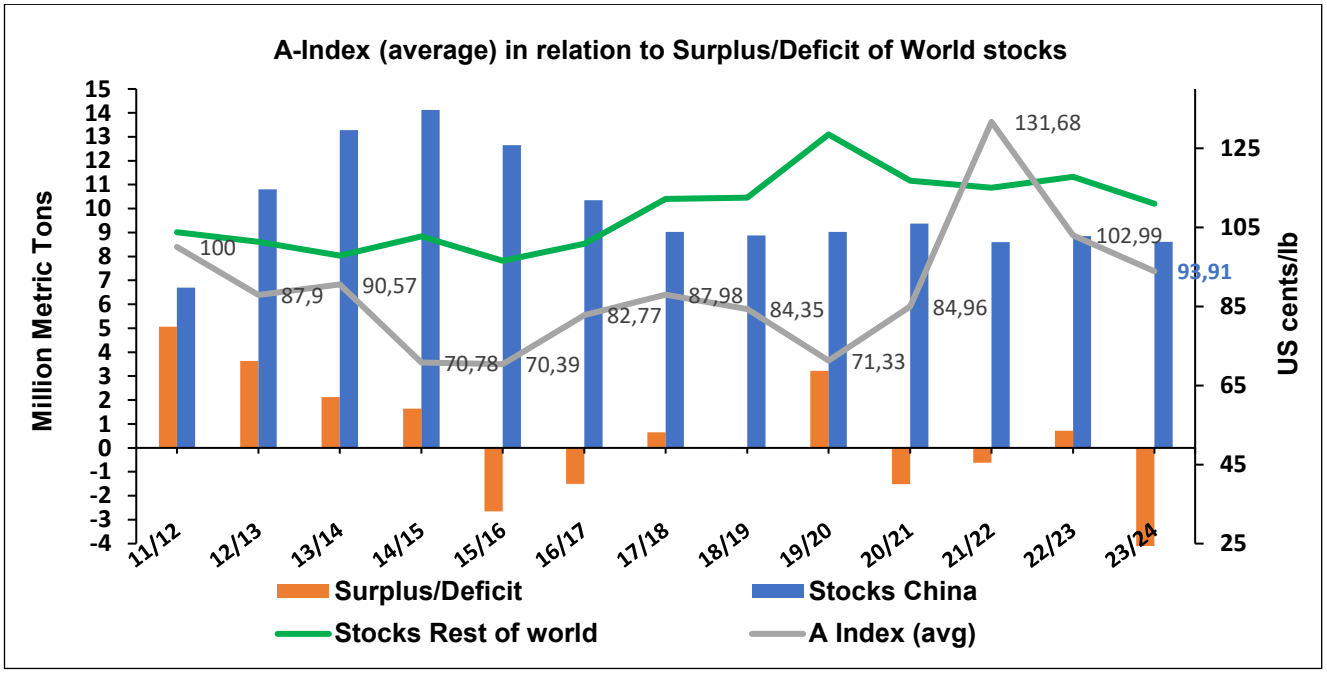
The Secretariat's current price forecast of the season-average A index for 2023/24 ranges from 90.00 cents to 102.00 cents, with a midpoint at 95.00 cents per pound (ICAC).

(Quoted in US cents per pound)	03/06/24	Season Low	Season High	1 Year Ago	2 Years Ago
Cotlook A-Index	86.80	85.25	107.00	93.75	156.95
NY Futures Nearby Contract [a]	77.76	76.15	103.07		136.06
Basis[b]	9.04	3.93	13.31	10.27	17.97
2023/24 average to date[c]	93.91				
2022/23 average[c]	101.62				

[a] *Previous day's close.*

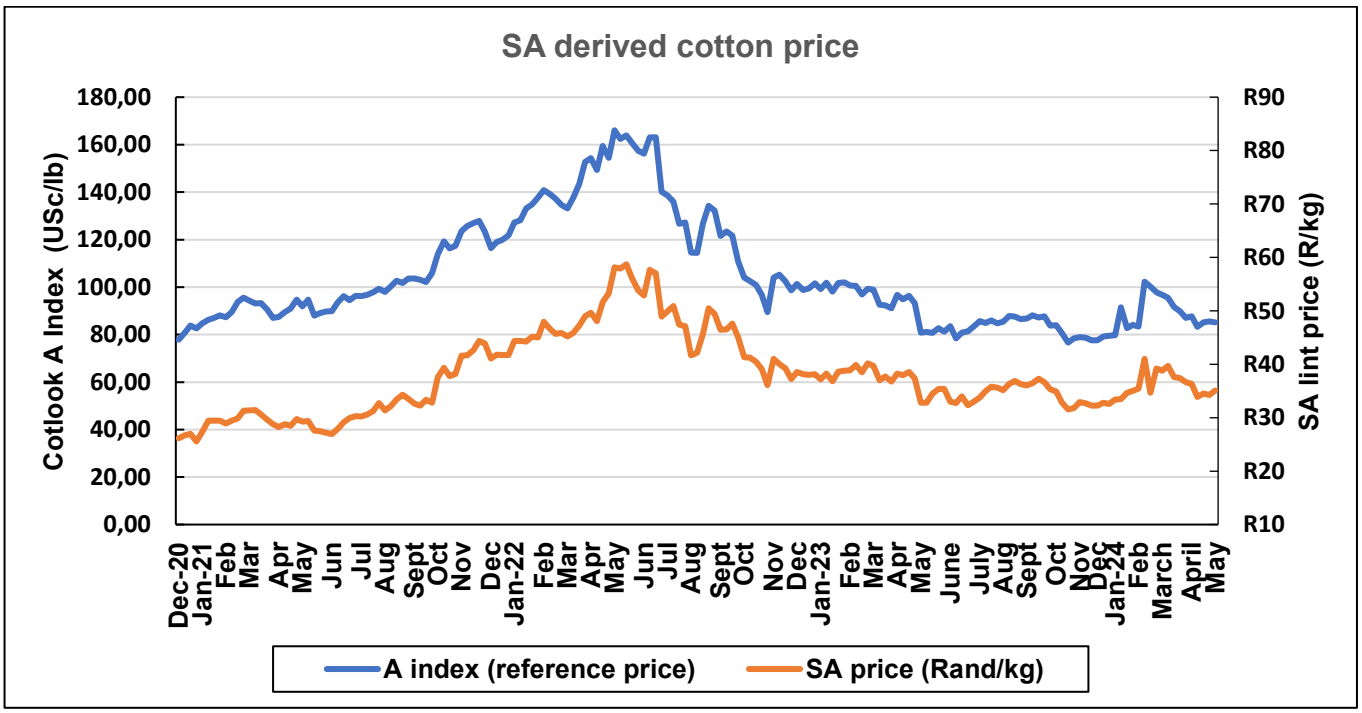
[b] *Current A-Index minus Nearby NY ICE Nearby Futures (previous day settle price)*

[C] Average price for a given season, August 1 to July 31 or average-to-date.



Local situation

The derived South African cotton price for May 2024, based on the weekly average Cotlook A Index (US c/lb), was R36.91/kg lint over the month.



The weekly average cotton reference price based on the NY Futures, provided to farmers every week, was 77,37 US c/lb (R32,16), for SLM 1 $^{1}/_{16}$", for the week ending on 31 May 2024.

RSA CROP	2023/2024 5th Estimate (May 2024)	2022/2023 Final Estimate (November 2023)
Ha Irrigation	6 817	6 308
Ha Dryland	9 475	13 556
Total Ha	**16 292**	**19 864**
Yield Irrigation (Kg seed cotton/ha)	4 287	4 327
Yield Dryland (Kg seed cotton/ha)	828	1 285
Total no. lint bales (@ 200kg/bale)	**70 262**	**80 225**

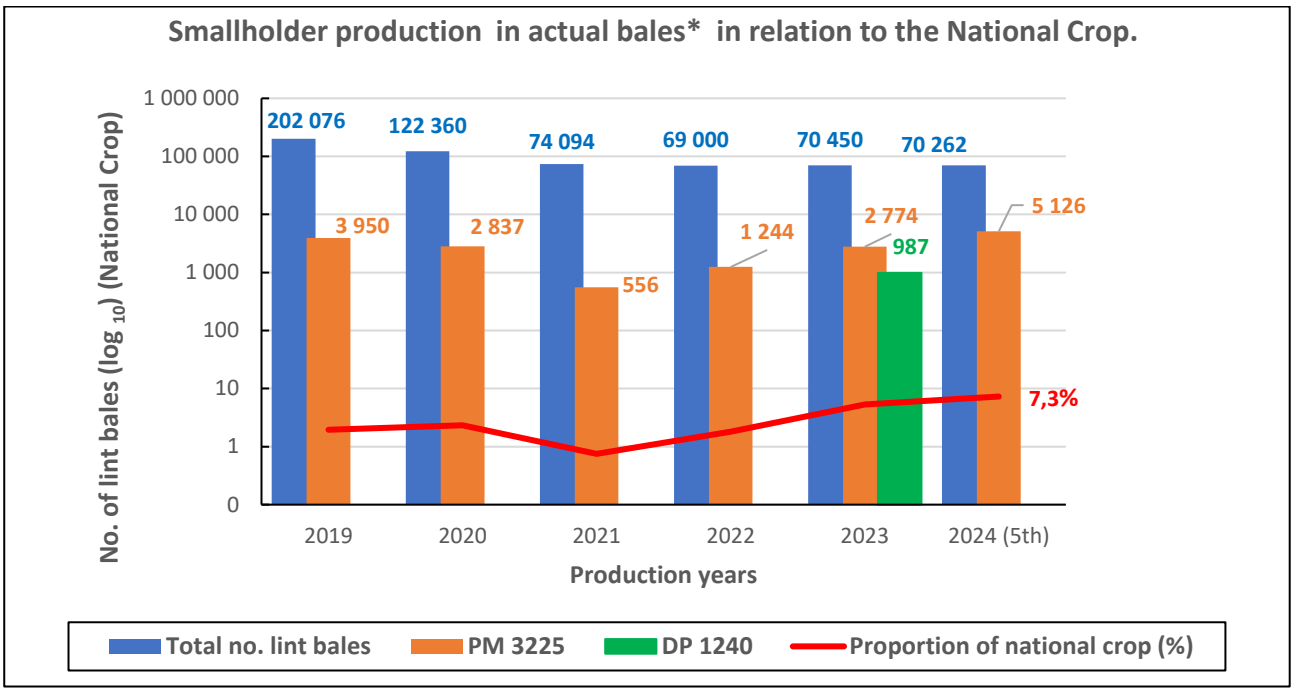
The season developed quickly with warm dry weather that followed for March and April, which promoted boll opening. Commercial farmers started to harvest in earnest, and Cotton SA tested more samples (n=20 357) in comparison with the same period in 2023 (n=8 767). A Strategic Cotton Summit was held in May 2024, where the strategy was discussed to increase hectarages and production per hectare for the next few seasons.

The 5th estimate for the 2024 season looks slightly better than the previous one, while even a higher number of lint bales is expected as the season's ginning progresses. Careful optimism is prevailing that the next season will be better in terms of delivering the national crop.

Smallholder production

Smallholder production in Mpumalanga (Nkomazi) for the past season was 900 ha, produced under dryland circumstances. Final ginning figures are still outstanding, but it appears that yields were low, around 400kg seed cotton per ha, which is disappointing. In comparison, the Makhathini does better with a total of 2 680 ha planted under dryland, with an average yield of 800 kg seed cotton per ha. In the Limpopo Province, irrigated hectares planted were 44 ha, with 200 ha planted under dryland conditions. Low rainfall in the area has resulted in lower yields. Initiatives to support smallholder production with support from the government have been ongoing.

However, an in-depth analysis of the smallholder production practices per farm or economic unit is necessary to design a new support programme for smallholders, linking it to the mentorship of individual farmers. Smallholder production makes out 7,3% of the national crop.



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