COTTON MARKET REPORT

OCTOBER 2021

FACTORS POINT TOWARDS A BULL MARKET FOR COTTON

Perfect mix for a bullish market: strengthening world cotton demand, expected imbalance in cotton supply and demand and tighter stocks.

The cotton market is riding on several bull variables. World cotton demand is showing signs of recovery and strength with world exports for 2021/22 being revised upwards to 10.2 million tons and world consumption revised upwards to 26 million tons.

Higher demand compared to production is expected in 2021/22 to cause ending stocks to decline for the second year in a row to stand at 19.9 million tons, 1.4% lower than the previous season.

A fall in consumption in 2019/20 had increased the ending stocks by 16% to 22 million tons, highest in the last 5 years. The stocks in China at the end of the 2021/22 season is currently estimated at 9.44 million tons, 1.8% higher than the 2020/21 season. The stocks outside China amounting to 53% of global stocks are currently estimated to drop by 4.2% to 10.47 million tons.

World cotton production for the 2021/22 season is ready for a full come back from a disappointing 2020/21 season. Current estimates put world cotton production at 25.7 million tons, which is a 6% increase over the 2020/21 season of 24.3 million tons. This increase is largely driven by the United States. However, of the five largest cotton producers in the 2020/21 season, only the United States, Brazil, and Pakistan are expected to increase production in the 2021/22 season. China and India are reporting declines. World production has still not fully recovered to pre-pandemic levels but has made up significant ground.

In West Africa production is nearly up by 47.8% over the production numbers of the 2020/21 season. It is difficult to know if these numbers will stand, but the fact is that all the West African countries are reporting positive increases, which is an encouraging sign for the future of cotton in Africa.

The Secretariat's current price forecast of the season-average A index for 2021/22 ranges from 87 cents to 126 cents, with a midpoint of 104.26 US cents per pound.
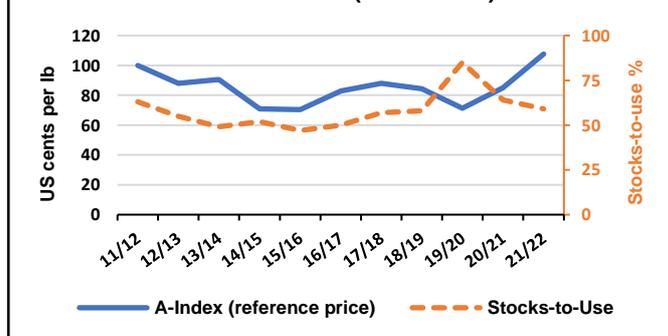
Source: ICAC

WORLD COTTON BALANCE SHEET

	Aug-Jul	2021/22	
	2020/21	Sept	Oct
	Million Metric Tons Lint		
Beginning Stocks	22.14	20.11	20.20
Production	24.26	25.75	25.72
Consumption	25.60	25.90	26.02
Ending Stocks	20.20	19.96	19.91
Stocks/ Use (excl. China)	63.5%	60%	59.4%

WORLD COTTON STOCKS
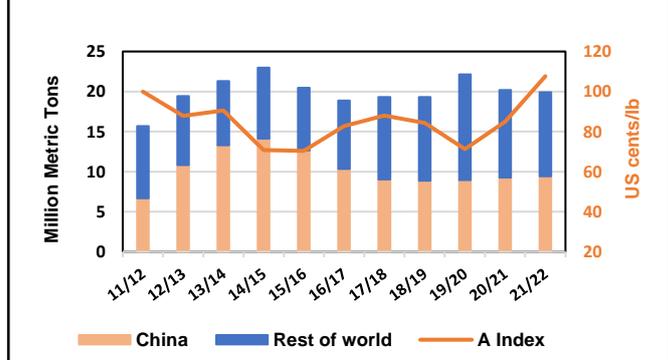
COTLOOK A INDEX & GLOBAL COTTON STOCKS-TO-USE (China excl.)

International Cotton Prices

(Quotes in US cents per pound)	01/11/21	Season Low	Season High	1 Year ago	2 Years ago
Cotlook A Index	123.60	97.90	123.60	75.75	75.25
NY Futures Nearby Contract [a]	114.85	89.89	114.85	68.73	64.23
Basis[b]	8.75	6.40	9.49	6.83	10.81
2021/22 average to date	107.65				
2020/21 average	84.96				

[a] *Previous day's close*

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

Local Outlook

Local cotton production at the end of October 2021 is estimated at 78 451 lint bales, slightly lower than the previous estimate.

Harvesting and ginning are completed while the final crop figures are being awaited. Grading activities have been concluded while the grade and the quality results of the crop showed a significant improvement over the previous season. Dryland cotton performed better than expected and yields were on average 22% higher than the year before while irrigated yields were marginally higher.

Since our last report, international cotton prices in 2021/22 have been trending upwards with the season high Cotlook A Index currently standing at US$ 123.60 cents per pound. The derived local price of almost R40 per kg lint is the highest on record!

RSA CROP	2020/21 8th Estimate	2020/21 9th Estimate	2019/20 Final Estimate
Ha Irrigation	5 709	5 802	11 543
Ha Dryland	10 467	10 511	16 132
Total Ha	16 176	16 313	27 675
Yield: kg seed cotton per ha			
Irrigation	4 351	4 515	4 393
Dryland	1 749	1 468	1 206
TOTAL LINT BALES	78 744	78 451	134 230

SA DERIVED COTTON PRICE
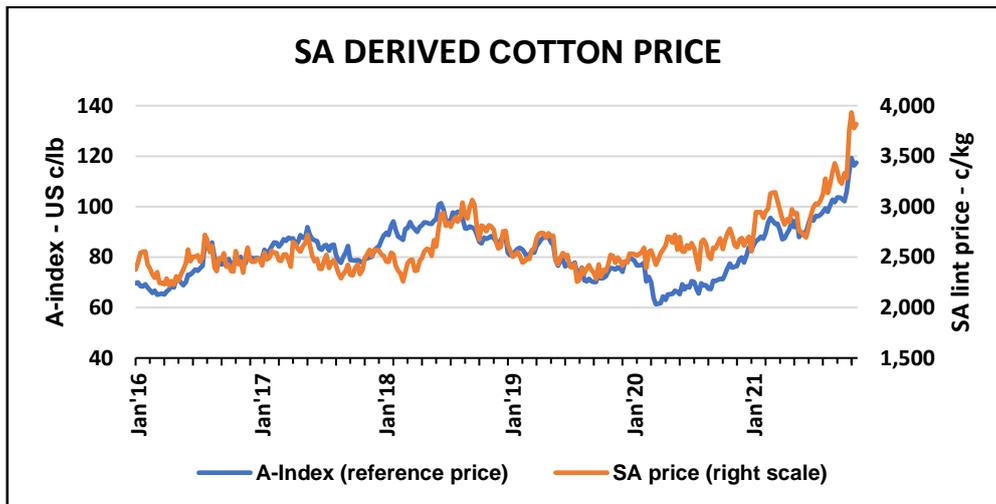
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