



COTTON MARKET REPORT

FEBRUARY 2021

HIGHER CONSUMPTION AND LOWER PRODUCTION EXPECTED TO DRAW DOWN ENDING STOCKS

International

According to the ICAC, global consumption for 2020/21 has been revised upwards to 24.5 million tons with production revised downwards to 24.2 million tons. The expected growth in mill-use would not be a complete recovery from the losses incurred during the pandemic but would exceed production for the current season. With consumption exceeding production, stock levels are expected to decrease to 21.1 million tons by the end of the season.

In India, the largest producer of cotton in the world in 2020/21, the estimates show higher yields and production following the development of high-yielding varieties, technology transfer, farm management practices and increased areas of Bt hybrids. Production is expected to increase to 6.3 million tons with a planted area of 13 million hectares. Consumption is expected to rebound to 5.45 million tons. With domestic production sufficient to meet local consumption demands, exports are expected to exceed 1 million tons. India's 10% import tax on cotton imports is unlikely to impact on imports but may impact on costs to manufacturers.

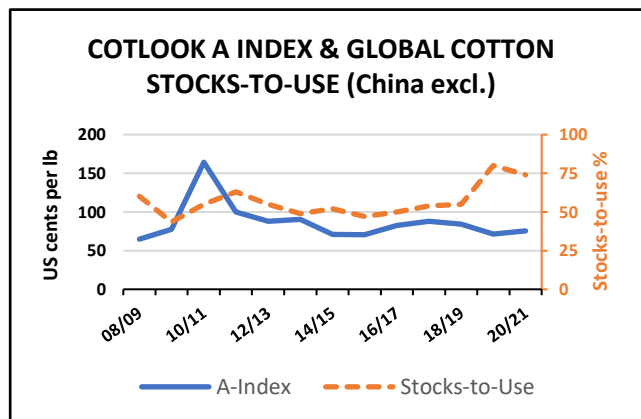
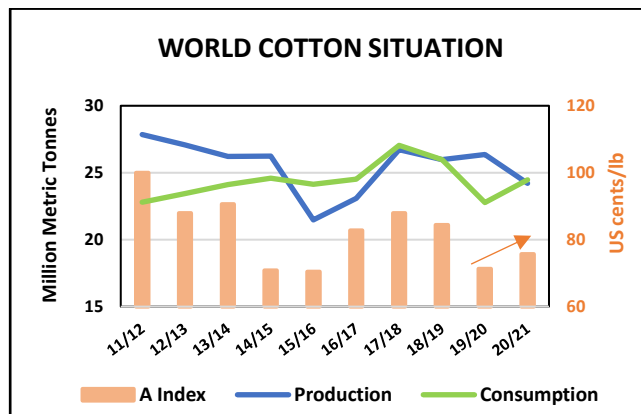
Trade estimates for the current season are revised upward with increased exports from the USA and increased imports from China and Pakistan. Import estimates by China are expected to increase to 2.12 million tons due to the price gap between domestic and imported cotton. Pakistan will require increased imports to meet domestic textile needs with the sector reporting recovery.

The international reference price for cotton (Cotlook A) has risen steadily over the course of the season. Continued demand recovery will likely continue to be linked to wider economic recovery and ongoing mitigation of the public health crisis. Supply will likely increase in the 2021/22 season as

higher prices are correlated with the expansion of planted areas.

WORLD COTTON BALANCE SHEET

	Aug-Jul	2020/21	
	2019/20	January	February
	Million Metric Tons Lint		
Beginning Stocks	18.56	21.18	21.37
Production	26.35	24.10	24.20
Consumption	22.77	24.10	24.46
Ending Stocks	21.37	21.18	21.11
Stocks/ Use (excl. China)	80%	77%	74%



International Cotton Prices

The price projection for the 2020/21 year-end average of the Cotlook A Index is 75.7cents per pound this month.

<i>(Quotes in US cents per pound)</i>	Today	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	94.35	68.20	98.50	70.40	80.85
NY Futures Nearby Contract ^a	87.82	61.84	87.27	63.48	72.73
Basis ^b	6.53	5.43	8.58	8.92	9.17
2020/21 average to date	79.12				
2019/20 average	71.33				

^a Previous day's close

^b Current A-Index minus Nearby NY (previous close)

Source: ICAC

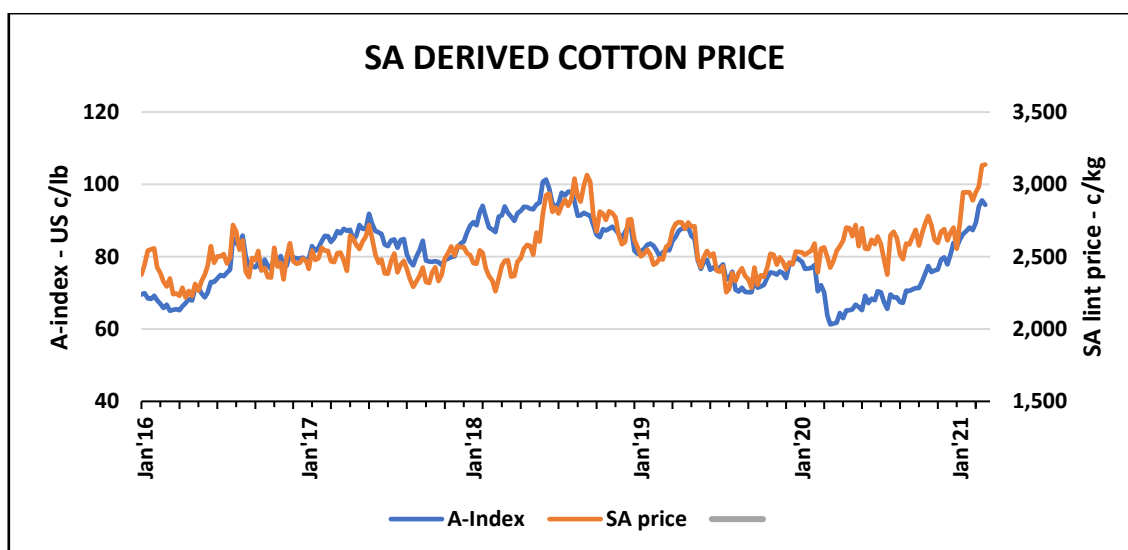
Local

The 2020/21 plantings are considerably lower than the previous season which would lead to a much lower cotton crop. Currently the estimated crop is 79 800 lint bales.

Many farmers have turned to food crops while the lateness of the marketing of the previous season's crop contributed to a contraction in planted area. In addition, excessive wet and adverse conditions in certain production regions further led to scaled-down estimates for the year under review.

However, the cotton industry is positive that by addressing the internal challenges, growth could be restored in 2021/22.

RSA CROP 200 Kg Lint bales	2020/21 1st Estimate	2020/21 2 nd Estimate	2019/20 Final Estimate
Ha Irrigation	7 124	5 550	11 543
Ha Dryland	15 503	10 321	16 132
Total Ha	22 627	15 871	27 675
Yield: kg seed cotton per ha			
Irrigation	3 799	4 475	4 393
Dry land	1 993	1 604	1 206
TOTAL BALES	105 515	79 800	134 230



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