International Cotton Advisory Committee

Attachment 3a

World Cotton Situation
560th Meeting of the Standing Committee

27 June 2019
The ICAC Secretariat's Office
1629 K Street, NW, Suite 702, Washigton DC 20006

INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702,
Washington, DC 20006, USA

Attachment 3a to SC 560
27 June 2019

World Cotton Situation

World Cotton Production Exceeds Demand in 2019/20

World cotton production is projected to increase in 2019/20 by almost 8% reaching 27.7 million tons and getting very close to record 27.9 million tons reached in 2011/12. There is a very strong historical correlation between prices during the current season and the planted area for the next season. At the planting time in the northern hemisphere cotton prices remained at a historically high level of mid 80 cents per pound, favourable in comparison to competing crops. World cotton area is projected to increase in 2019/20 by 5% reaching 34.7 million hectares, close to the upper level in the historical range in cotton plantings, which varies between 29 and 36 million hectares. World yield is projected to grow in 2019/20 by 2% reaching 800 kg per hectare, just slightly above the 10-year average of 776 kg per hectare. India once again is projected to become the largest producer of cotton in 2019/20 with production rising by 11% and reaching 6.1 million tons. Even faster growth in cotton production in 2019/20 is projected in the USA, where the increase is estimated at 20% with production reaching 4.8 million tons mostly because cotton prices were more competitive compared with other crops and lower anticipated abandonment due to adequate rain. Production in Pakistan in 2019/20 is projected to increase strongly, by 18% reaching almost 2 million tons. Substantial growth in production is projected in West Africa, where current market prices and favourable strong dollar exchange rate provide a good stimulus. West African production is projected to grow by 18% in 2019/20 reaching a record of almost 1.4 million tons. Planting decisions will be made in southern hemisphere later this year, however water availability remains a concern in Australia and a moderate increase in production is projected in 2019/20 to 560,000 tons from the current season 485,000 tons. Very moderate changes in production are projected in Brazil, Turkey and Uzbekistan during 2019/20. In 2019/20 production in China is projected to grow moderately in Xinjiang, while contracting in the eastern regions, resulting in almost no change in the overall output.

There are several factors that led us to reduce our initial projection of cotton mill use in 2019/20, including trade uncertainties, possibly weakening global economic growth and slowing cotton demand and prices of competing fibres. The Secretariat now projects almost no growth (less than 1 percent) in cotton mill use in 2019/20 with global mill use staying at 26.9 million tons, still representing an all-time highest level of cotton consumption. Mill use is expected to continue to grow in most textile economies in East Asian and South Asia, except China. Consumption in China in 2019/20 is projected to decline by 2% due to economic slow-down to 8.3 million tonnes. Consumption in India and Pakistan is projected to grow by 2.5% to 5.5 million tons and 2.4 million tons accordingly. Mill use is expected to grow by 4% in Bangladesh and Vietnam 1.8 million tonnes and 1.6 million tons accordingly. Similar growth in mill use is projected for Turkey to 1.6 million tons and in Indonesia to 880,000 tons.

World cotton trade is projected to grow moderately, by 2% in 2019/20 and reach 9.6 million tons. USA will remain the largest exporter accounting for 38% of world exports. Brazil, West Africa India Australia and Greece will be the next largest exporters. Uzbekistan is channelling most of its production toward domestic mill use and its share in world markets is rapidly declining. It is projected China will be the largest importer of cotton in 2019/20, increasing imports by 8% to 2.1 million tons. Imports by Bangladesh is projected to grow by 11% to 1.8 million tons in 2019/20, while imports by Vietnam could grow by 8% to 1.7 million tons. Indonesia, Turkey and Pakistan will remain significant importers of cotton in 2019/20.

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In 2019/20 production is projected to exceed consumption by almost one million tons. This excess supply will cause ending stock to grow to 18.7 million tonnes by the end of the 2019/20 season resulting in supply to use ratio to grow to 0.70 (up 0.03 points).

According to the ICAC Price Model, such change in market fundamentals would result in the A Index decreasing to 81 cents per pound in 2019/20. The 95% confidence interval for this forecast ranges from 63 cents per pound to 96 cents per pound.

Cotton Supply and Use

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International Cotton Advisory Committee

Washington, DC

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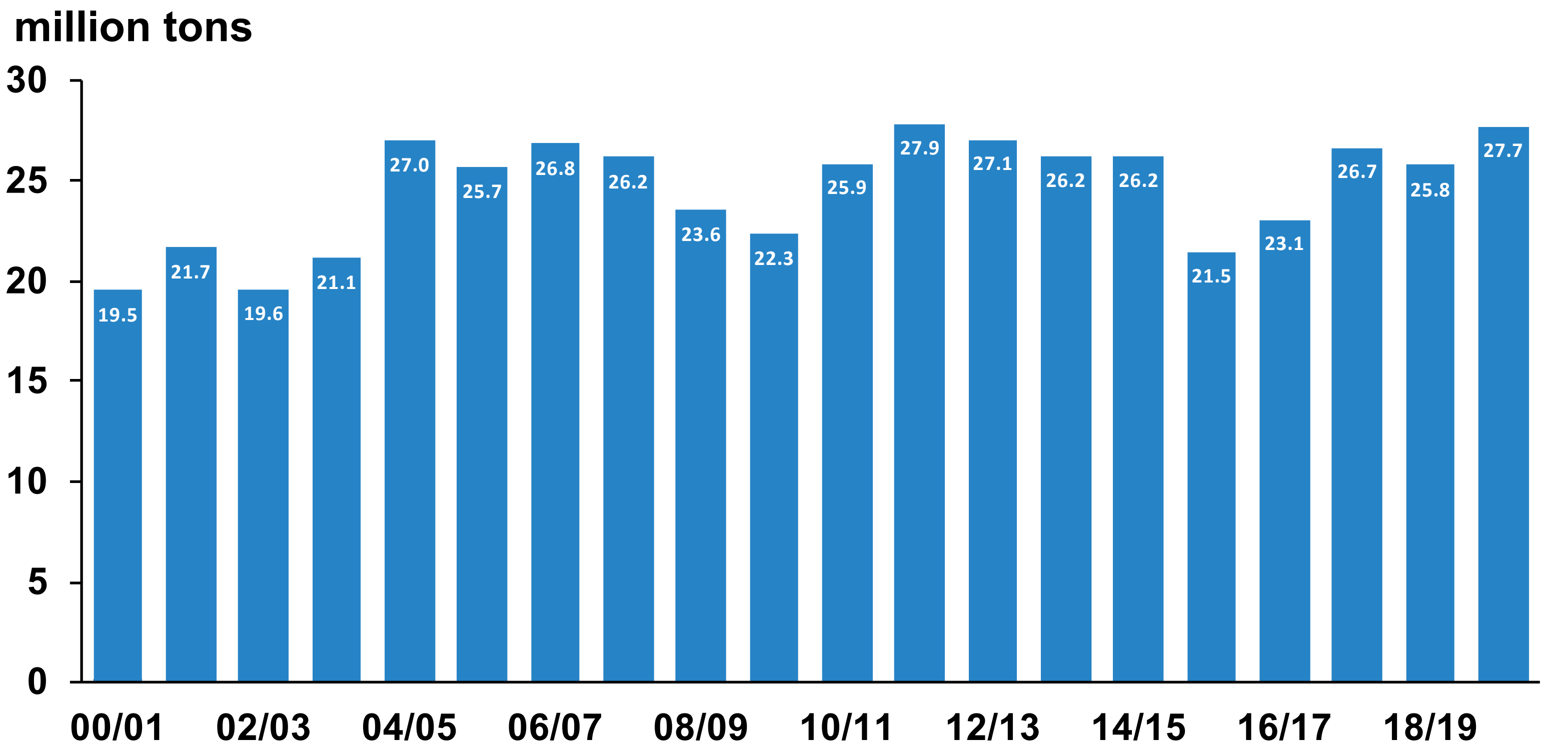
World Cotton Production



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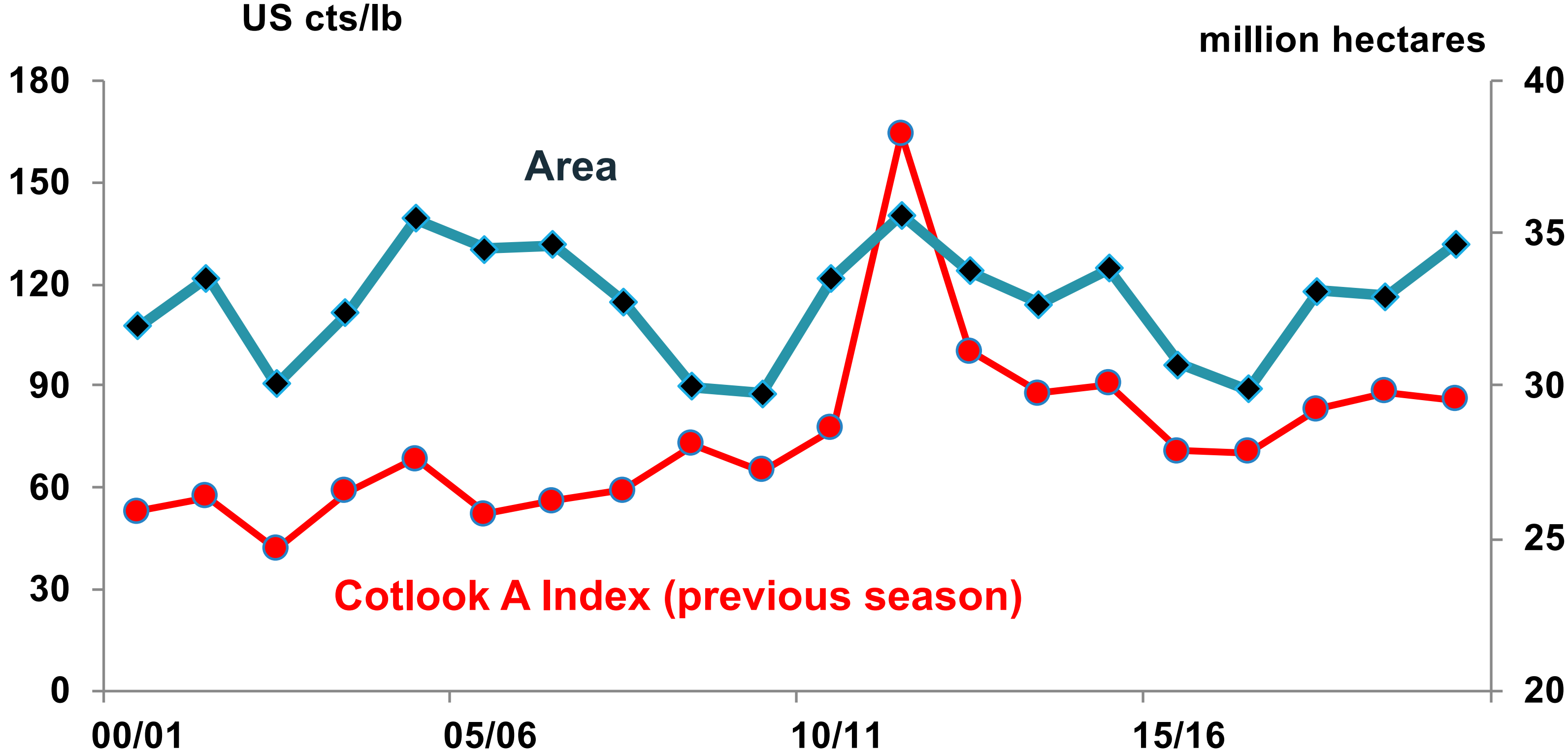
World Cotton Area and Prices



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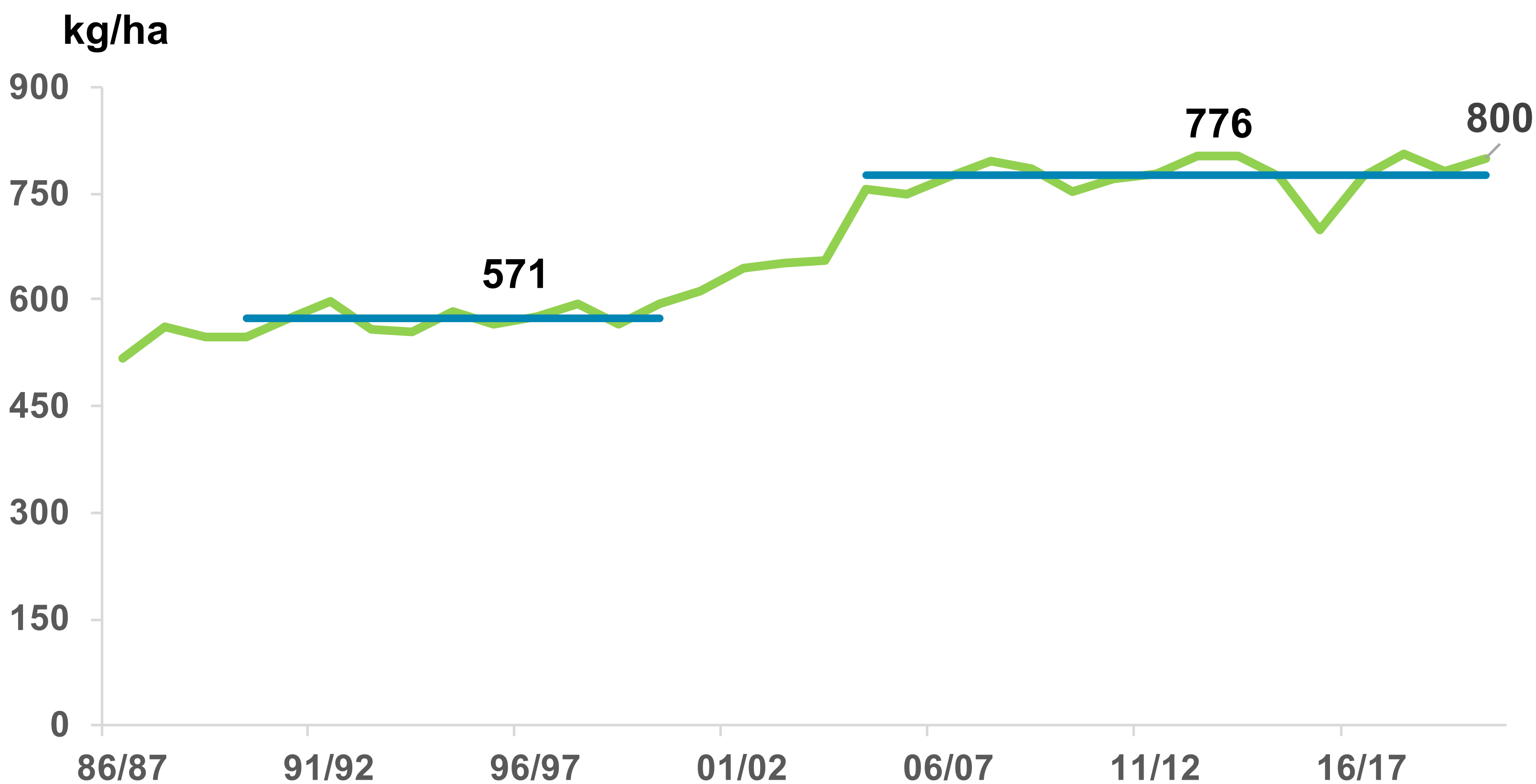
World Average Yield



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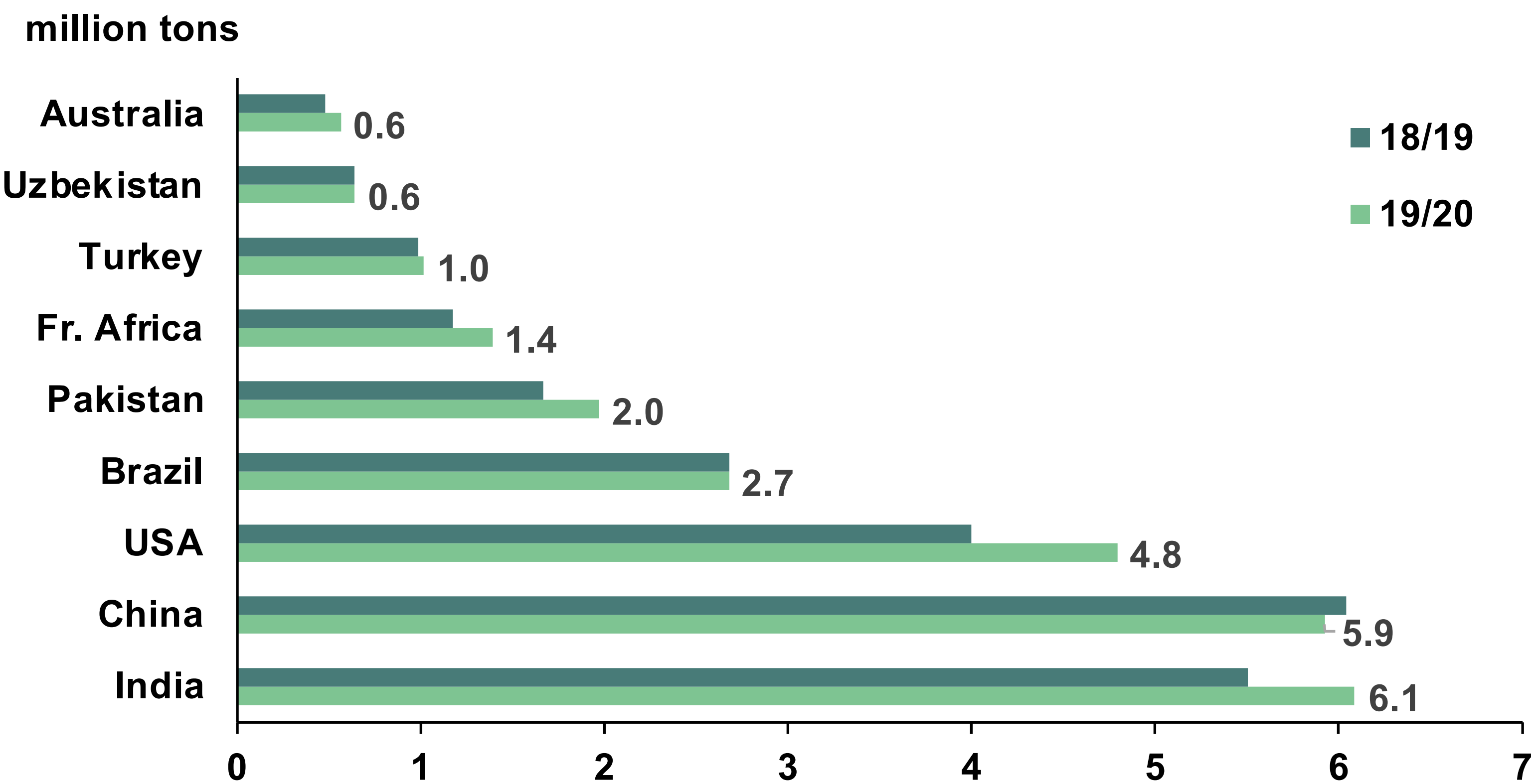
Cotton Production



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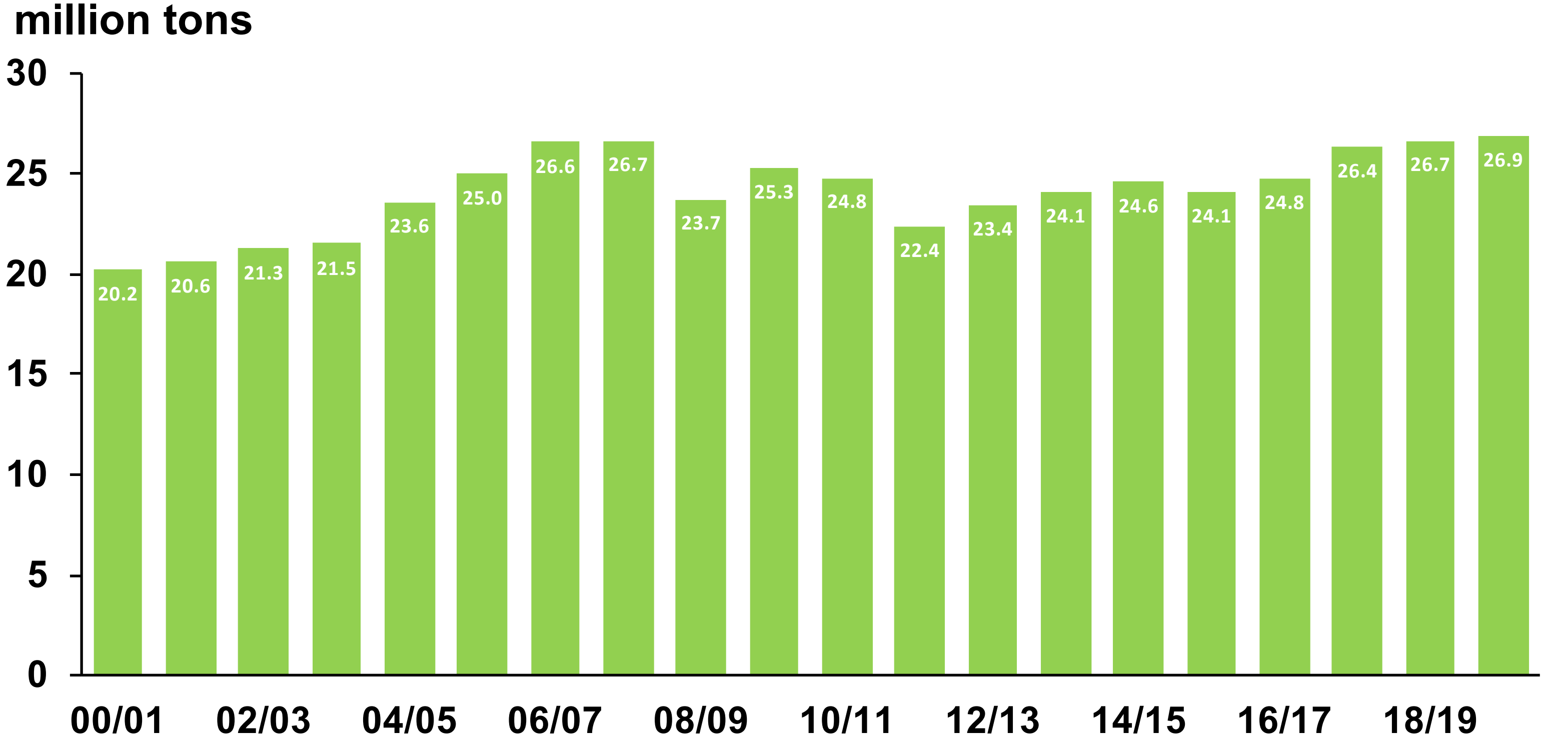
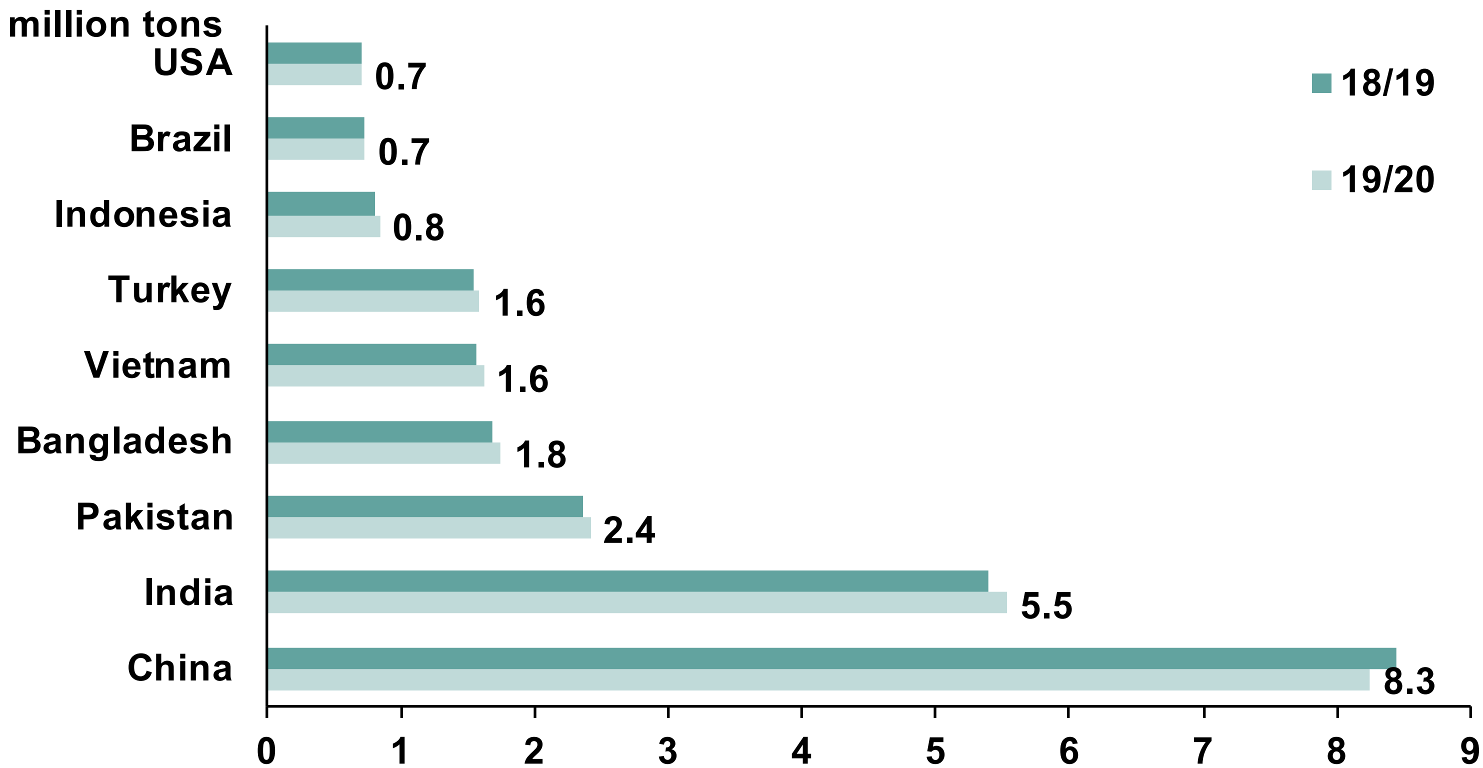
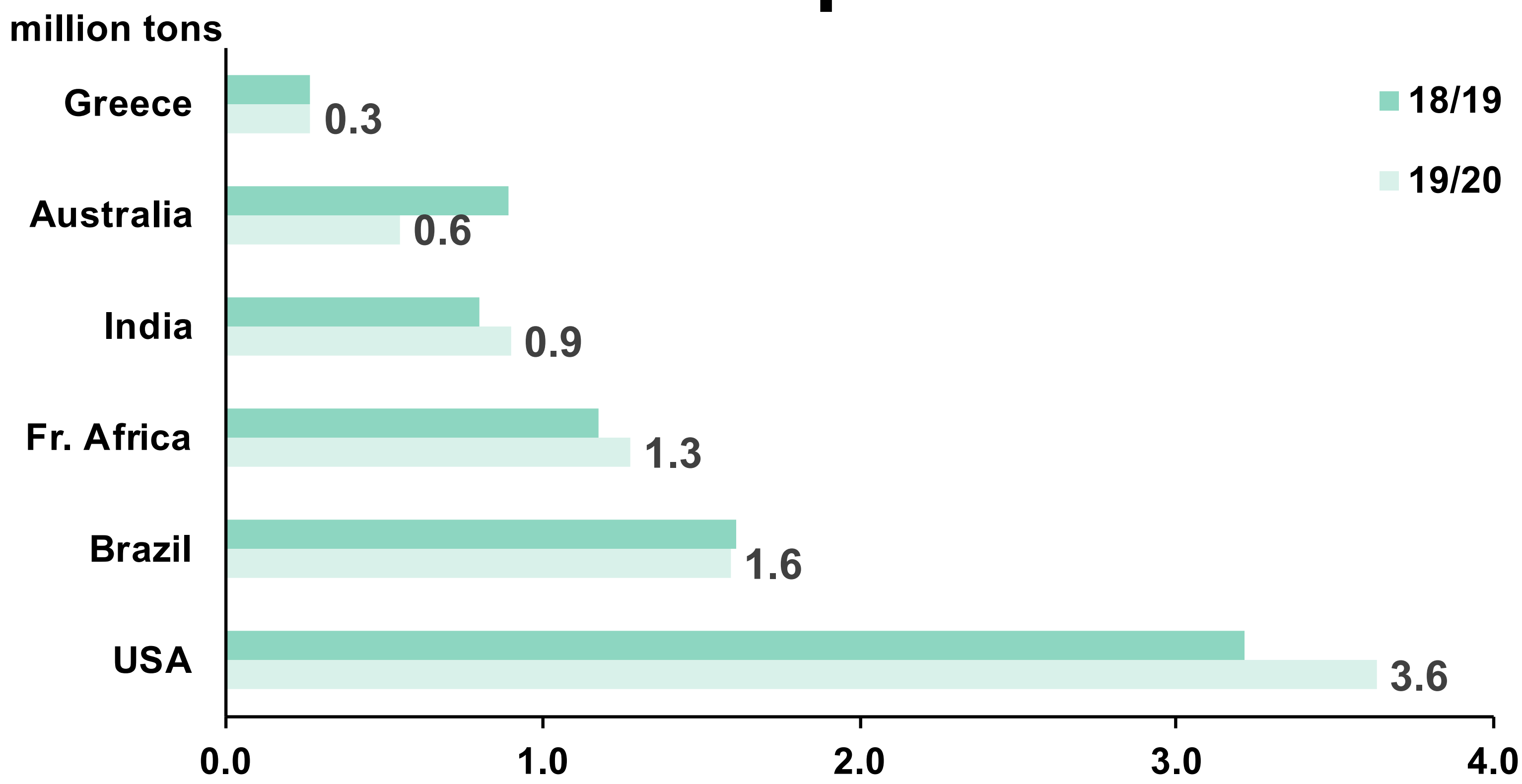
World Cotton Consumption



Cotton Consumption



Cotton Exports



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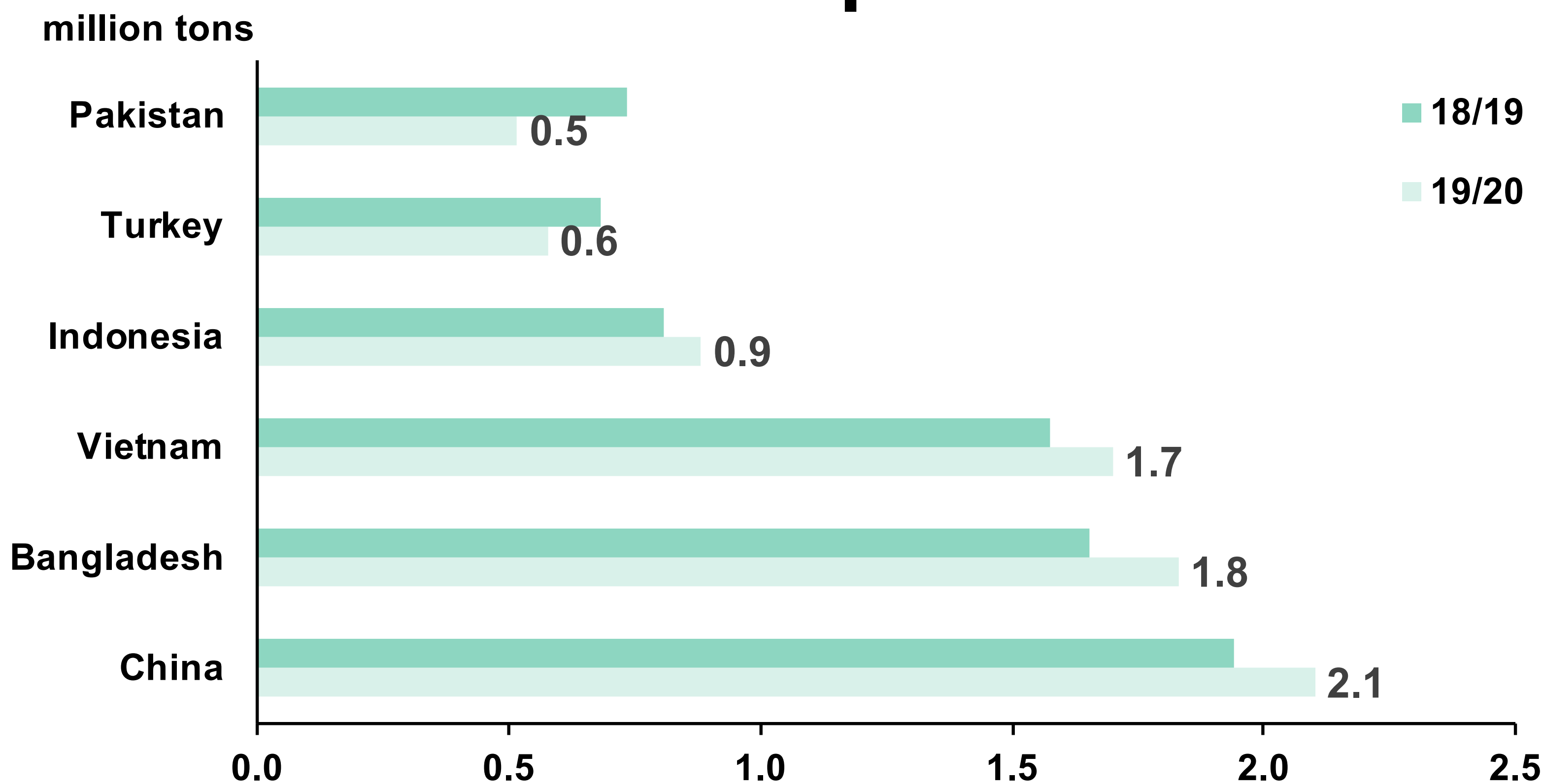
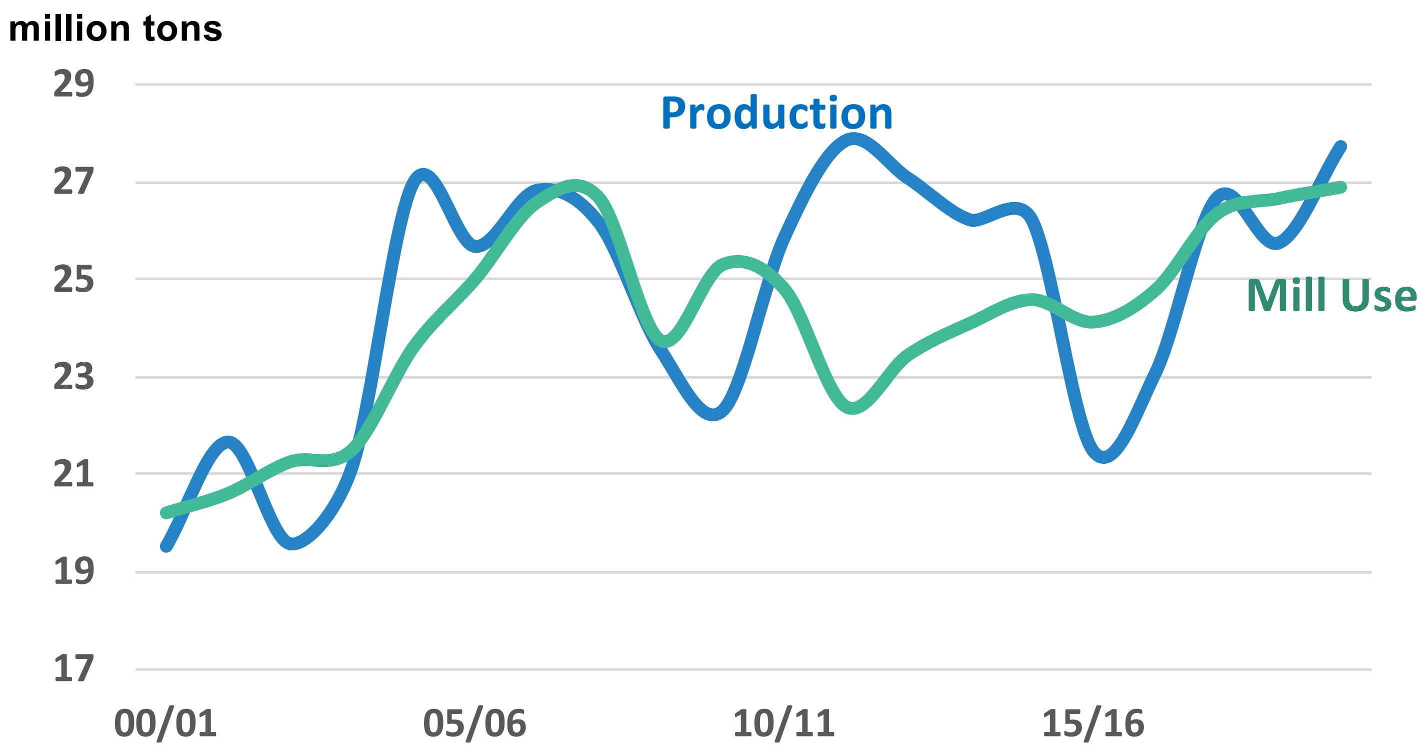
Cotton Imports



WORLD COTTON PRODUCTION AND MILL USE



WORLD ENDING STOCKS

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COTLOOK A INDEX