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COTTON :
Review of the World Situation

International
Cotton
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Committee

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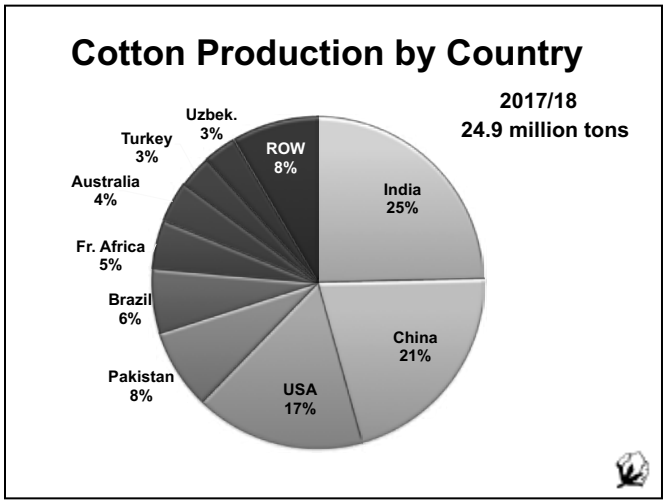
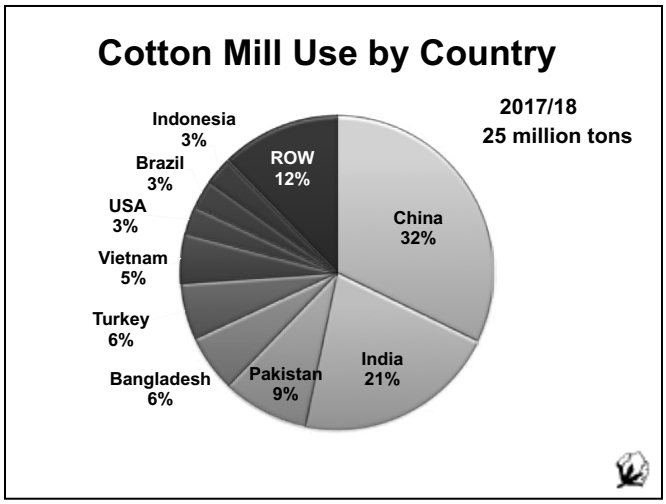
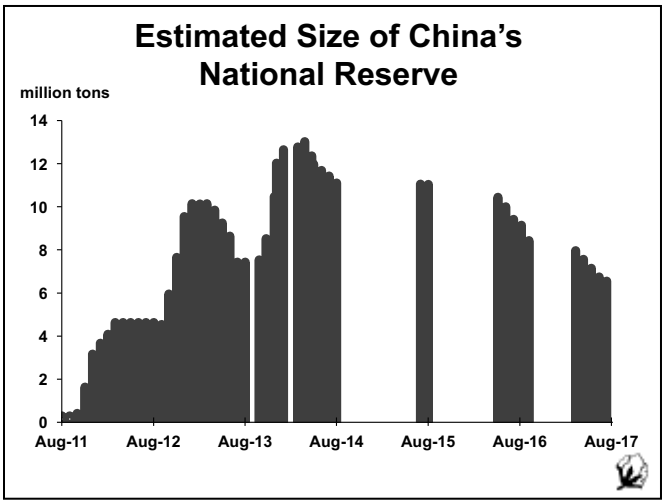
Cotton Prices Uncertain in 2017/18

In 2017/18, world cotton production is projected to increase by 8% to 24.9 million tons. However, this increase is due entirely to an 8% expansion in world cotton area to 31.7 million hectares, which is below the 20-year average of 32.7 million hectares. The world average yield is forecast at 785 kg/ha, unchanged from 2016/17. India is expected to remain the world's largest producer in 2017/18 with output increasing by 6% to 6.1 million tons. An early and adequate monsoon, a higher minimum support price, and the prospect of better returns from cotton compared to competing crops have encouraged farmers in India to expand area by 8% to 11.3 million hectares. After falling by 6% in 2016/17, China's production is projected to rebound by 7% to 5.2 million tons. Cotton area in China is expected to expand by 6% to 3.1 million hectares, which is the first increase in five seasons due to higher domestic cotton prices. Production in the United States is expected to rise by 10% to 4.1 million tons as high prices, sufficient soil moisture in dryland areas and beneficial weather during planting encouraged farmers to expand cotton area by 18% to 4.5 million hectares. After two seasons of contraction, better expected returns for cotton encouraged farmers to expand cotton area in Pakistan by 9% to 2.7 million hectares. Assuming the average yield rises by 8% to 717 kg/ha, Pakistan's production is projected to increase by 17% to 2 million tons, which is similar to its 15-year average. The average yield is expected to improve by 8% to 717 kg/ha as recovery from the significant drop in 2015/16 continues. Cotton production in Brazil is forecast to increase by 5% to 1.6 million tons as high returns in 2016/17, resulting partially from a 17% increase in the average yield, are likely to encourage farmers to expand cotton area.

World cotton consumption in 2017/18 is forecast to rise by 2% to 25 million tons. A modest 1% increase is projected for China, the world's largest cotton consumer, with its mill use reaching 8.1 million tons in 2017/18. After declining by 3% in 2016/17, consumption in India is forecast to increase by 2% to 5.3 million tons in 2017/18 as prices for cotton and yarn are likely to be competitive due to the increase in supply. The government of Pakistan announced an incentive package for its textile industry in January 2017, which includes tax incentives, and mill use is expected to rise by 4% to 2.2 million tons. This follows a 13% decrease in mill use in 2015/16 and stagnation in 2016/17, which brings expected mill use to the same level as in 2012/13. Consumption in Bangladesh is projected to rise by 5% to 1.5 million tons due to strong







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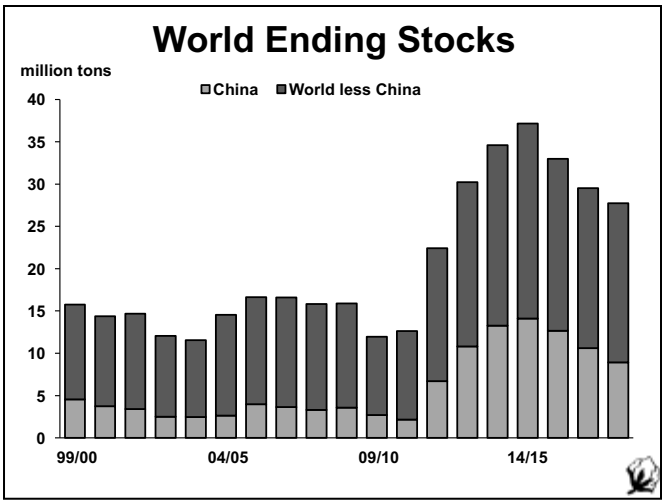
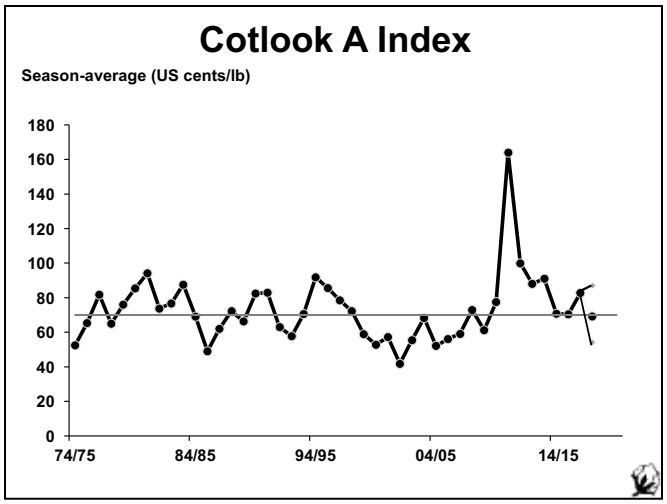




demand domestically and internationally. Turkey's mill use is expected to remain stable at 1.5 million tons as domestic demand remains weak.

World cotton trade is projected to decline by 1% to 7.8 million tons. A number of cotton-producing countries such as Pakistan and India will likely decrease their imports in 2017/18 due to larger domestic supplies. While the United Sates is expected to remain the world's largest exporter, its exports are nevertheless forecast to decrease by 8% to 2.9 million tons due to more competition from other countries. India's exports are forecast to rise by 2% to 930,000 tons based on its larger exportable surplus. Australia's exports are projected to increase by 8% to 760,000 tons. 2017/18 will be the second consecutive season of production growth in Australia and a portion of its large crop in 2016/17 will be exported during 2017/18 given the later growing period. Bangladesh, Vietnam and China are expected to remain the world's three largest importers. Bangladesh's imports are projected to increase by 7% to 1.5 million tons, Vietnam's by 5% to 1.3 million tons, and China by 4% to 1.1 million tons. Indonesia will likely be the fourth largest as its imports increase by 1% to 730,000 tons.

World ending stocks are projected to decrease by 1% to 18.8 million tons in 2017/18, with increases outside of China offset by decreases in China's stocks. China's stocks are expected to decline by 16% to 8.9 million tons. Ending stocks outside of China are forecast to grow by 19% to 9.8 million tons. The large increase in ending stocks outside of China may put downward pressure on international cotton prices.

The Secretariat forecasts that the A Index in 2017/18 will range between 54 cts/lb and 87 cts/lb with a midpoint of 69 cts/lb. The midpoint would be 13 cts/lb lower than in 2016/17. This follows the large increase of 12 cts/lb from 2015/16 to 2016/17, which suggests that such a drop is not unreasonable. However, the season-average A Index in 2016/17 ended up being much higher than the Secretariat initially forecast, and market fundamentals do not explain why this occurred. Given what happened in 2016/17, it is difficult to say whether the current forecast for 2017/18 will hold up well over the season.

COTTON PRICE TRENDS IN 2016/17

By Rebecca Pandolph, ICAC

Summary

International cotton prices during 2016/17 were inexplicably high. While there was a drawdown in global cotton stocks, as global consumption exceeded production, this drawdown occurred entirely within China. The Cotlook A Index, the most widely used measure of the price of cotton on the physical market, averaged 82.77 cents per pound in 2016/17, which is well-above the long-term average of 70 cents per pound. Domestic cotton prices generally followed the A Index through much of 2016/17, but in many countries remained stable during the final three to five months of the season whereas the A Index increased. Given the high domestic and international cotton prices, farmers generally earned better returns in 2016/17 compared to 2015/16 and to prices for competing crops. Except for sugar, cotton prices were much higher than prices for competing crops during 2016/17, which will encourage farmers to expand cotton plantings in 2017/18. In contrast to cotton, prices for polyester, cotton's main competing fiber, have remained low, averaging 51 cents per pound in 2016/17. As a result, cotton's share of the textile fiber market, which reached just 26.9% in 2016 and 26.6% in 2017, will likely continue to decline.

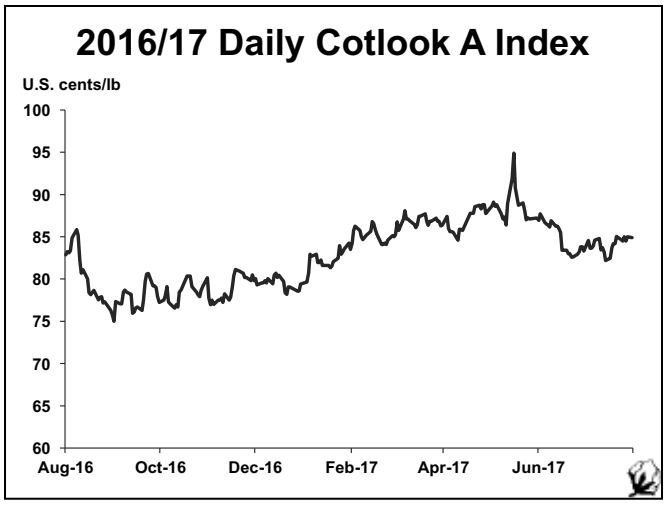
International Cotton Prices Inexplicably High

At the end of 2015/16, international cotton prices rose sharply and remained well above the long-term average throughout 2016/17. The Cotlook A Index averaged 82.77 cents per pound, around 12 cents per pound higher than in 2015/16 when it averaged 70.39 cents per pound.

From 2010/11 through 2014/15, world cotton production exceeded consumption, leading to an accumulation of 14 million tons in stocks. The 2015/16 season opened with a record stock of 23 million tons of cotton, 8% higher than in 2014/15. However, mill use outpaced production by 2.7 million tons in 2015/16, which was first since 2009/10 and as a result, world stocks at the start of 2016/17 declined by 12% to 20.3 million tons. Beginning stocks outside of China fell by 14%, from 8.9 million tons in 2014/15 to 7.7 million tons in 2015/16.

The A Index was much higher than it had been in the previous two seasons despite stocks rising outside of China. The A Index rose sharply in the last two months of 2015/16 and reached 85.85 cents per pound on August 8, 2016 before falling to 75 cents per pound at the start of September 2017, which was the lowest price of the season. From September through December 2016, the Cotlook A Index rose slightly from its lowest point, averaging 79 cents per pound. However, over the next four months the Cotlook A Index quickly climbed from an average of 82 cents per pound in January 2017 to an average of 87 cents per pound in April 2017. It continued to rise in May 2017 and reached the highest point of the season on May 16, 2017 at 95 cents per pound. The Cotlook A Index fell over the next two weeks, reaching 87 cents per pound at the start of June 2017. Prices continued to fall to 83 cents per pound by the end of the June 2017. In July 2017, the Cotlook A Index fell from 85 cents per pound at the start of the month to 82 cents per pound in the middle before climbing back to 85 cents per pound at the end of July.

In 2016/17, cotton prices experienced less variability than in the previous season. The ICAC Secretariat usually reports volatility measures in terms of the relative spread and the coefficient of variation of prices during the season. These volatility measures indicate the dispersion of prices relative to the season average price. The relative spread is the ratio of the difference between the maximum price and the minimum price to the average price observed during a season. The maximum value of the Cotlook A Index during 2016/17 was reached on May 16, 2017 at 95 cents per pound, while the minimum was reached on September 1, 2016 at 75 cents per pound. The relative spread of the A Index amounted to 24.04%, the second highest level observed since 2011/12 when the relative spread reached 45.12%. In 2015/16, the relative spread was 30.26%. The coefficient of variation of the A Index during 2016/17 was 4.71%, lower than the value observed during 2015/16 (5.93%).

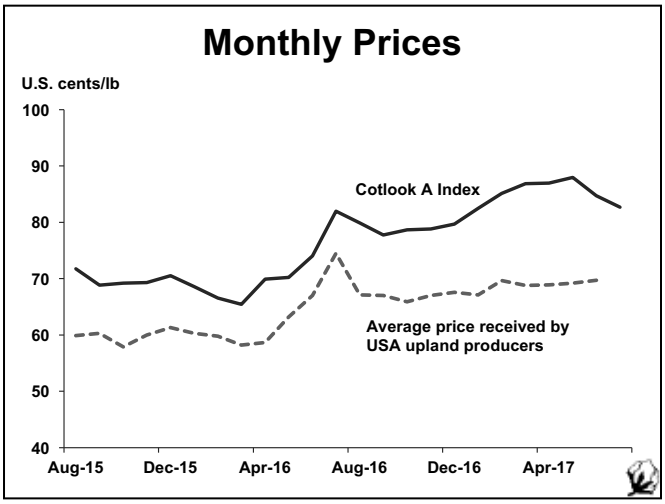


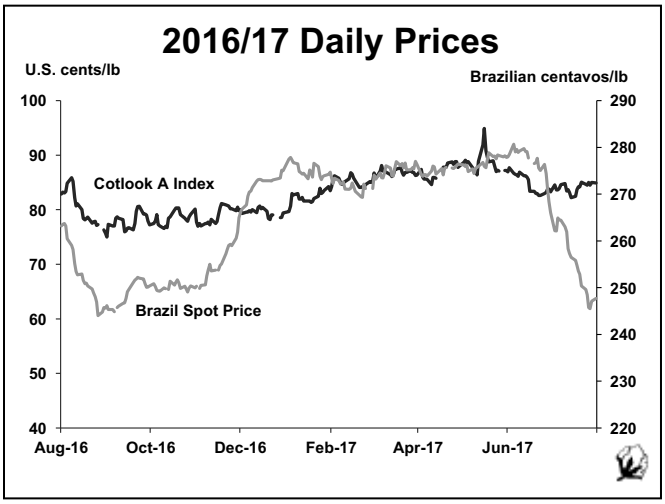
International cotton prices during 2016/17 were inexplicably high. While there was a drawdown in global cotton stocks, as global consumption exceeded production, this drawdown occurred entirely within China. In 2016/17, world cotton consumption was estimated at 24.5 million tons, while production was 1.4 million tons lower at 23.1 million tons. However, production outside of China reached 18.1 million tons, which was 1.7 million tons more than mill use outside of China, estimated at 16.4 million tons. Ending stocks held outside of China increased by 7% to 8.3 million tons, which normally would suggest that international prices would be much lower. China's stocks, however, fell by 16% to 10.6 million tons, accounting for 56% of global stocks. China's stock-to-use ratio fell from 133% in 2015/16 to 111% in 2016/17, while the stock-to-use ratio for the rest of the world rose from 32% to 34%, which is similar to the 20-year average.

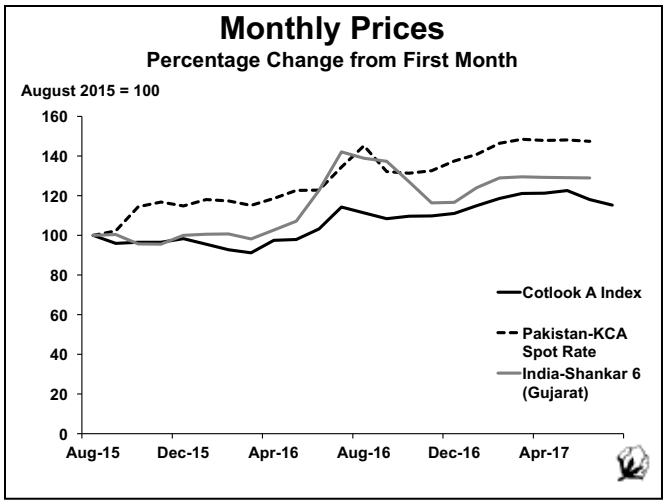
Trends in Domestic Cotton Prices

The sharp decrease in 2016/17 beginning stocks held outside of China pushed international and domestic cotton prices to high levels at the start of the season. However, as time passed the outlook for stocks held outside of China indicated that they would increase by the end of the season, which normally puts downward pressure on prices. Instead, international cotton prices generally remained firm, increasing during spring 2017. Domestic cotton prices generally follow international cotton price trends, unless a trading country is insulated from the rest of the world due to government intervention. Intervention measures include import or export restrictions, domestic price support, and systems with fixed prices to farmers. Most domestic prices followed a similar trend to the Cotlook A Index during the first half of 2016/17. However, domestic prices tended to remain flat in the second half of the season unlike the Cotlook A Index that continued to climb before falling in the last two months of the season.

In the United States, the U.S. spot price generally followed the movement of the A Index for the first seven months of 2016/17. It declined slightly from 67 cents per pound in







August 2016 to 66 cents per pound in October 2016. It rose over the next four months, reaching 70 cents per pound in February 2017. However, unlike the Cotlook A Index, the U.S. spot price remained at around the same level for the next three months at 69 cents per pound.

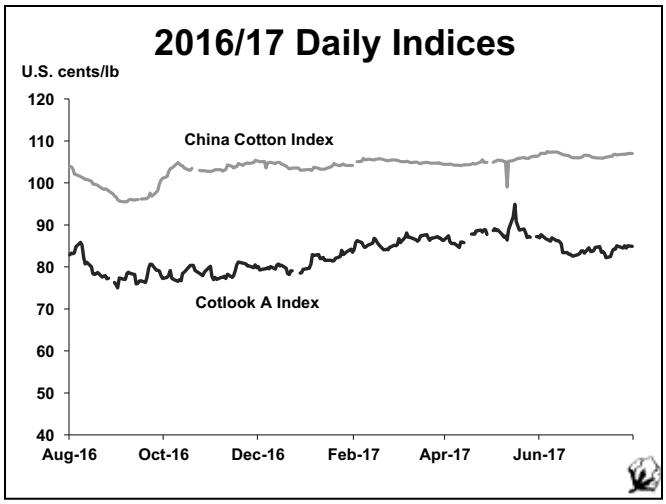
The monthly average spot price of Shankar-6 in India fell by 15% from September 2016 through December 2016 (from 46,500 Rupees per candy to 39,500 Rupees per candy). However, prices climbed in the first two months of the year due to the slower pace of arrivals after the demonetization policy delayed cash payments to farmers as well as some farmers awaiting a further rise in prices before selling their cotton. The monthly average spot price of Shankar-6 cotton rose by 11% from December 2016 to 46,650 Rupees per candy in by the end of February 2017. However, prices since remained flat, averaging 43,740 Rupees per candy in the last five months of the season.

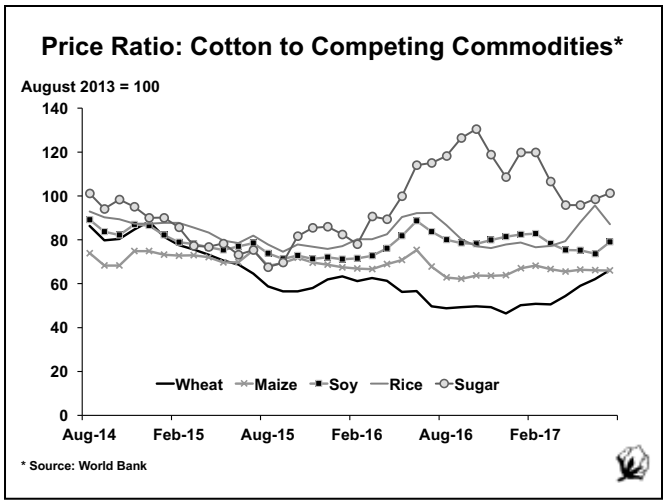
Spot prices in Pakistan followed a similar trend to prices the Cotlook A Index for much of the season, falling from 7,082 rupees per maund (40 kg) in August 2016 to 6,410 rupees per maund in October 2016. Between November 2016 and March 2017, spot prices rose from 6,470 rupees per maund to 7,245 rupees per 40 kg. However, unlike the Cotlook A Index, Pakistan spot prices in April and May 2017 remained stable, averaging 7,216 rupees per maund and 7,227 rupees per maund, respectively.

Brazil is a fairly large exporter, accounting for around 7% of global exports. However, unlike most other exporters, the bulk of its harvest reaches the international market in June through August, which is when there tends to be a much smaller volume of cotton from the Northern Hemisphere. The monthly average spot prices fell from an average of R$2.58 per pound in August 2016 to of R$2.49 per pound in October 2016. The monthly average spot price then rose over the next four months before leveling off for the remainder of the season. Prices rose from R$2.50 per pound in October 2016 to R$2.75 per pound in January 2017. The largest increase occurred in December 2016 when prices rose by 6% from R$2.56 per pound to R$2.72 per pound. In the last six months of 2016/17, prices averaged R$2.73 per pound.

Farmer's seedcotton prices in many of the cotton producing African countries in the CFA franc zone are usually fixed at the beginning of the season by government cotton agencies and the organizations representing farmers. At the end of the season, depending on the prices actually received by cotton agencies and international price trends, farmers sometimes obtain a premium over the initial price. The non-weighted average seedcotton price for first quality cotton paid to farmers across the CFA franc zone was around 250 CFA francs/kg in 2016/17.[1] This was 3% higher than in 2015/16 and followed two seasons of decline. Prices in Benin, Burkina Faso,

1) Non-weighted average calculated based on guaranteed procurement price data from Benin (260 CFAF/kg), Burkina Faso (235 CFAF/kg), Cameroon (265 CFAF/kg), Chad (240 CFAF/kg), Côte d'Ivoire (265 CFAF), Mali (250 CFAF/kg), Senegal (255 CFA/kg) and Togo (230 CFAF/kg).





Cameroon, Chad, Senegal and Togo remained unchanged from last season. Prices increased in Côte d'Ivoire by 30 CFA francs/kg and in Mali by 12.5 CFA francs/kg.

In 2012/13 and 2013/14, the government of China purchased a significant volume of cotton (around 14 million tons) with the objective of keeping domestic prices around or above the support price. As a result, Chinese domestic cotton prices were stable, but much higher than international quotations. In late January 2014, the Chinese government announced that it would implement a target price program of 19,800 yuan/ton (about 146 US cents per pound at the average seasonal exchange rate), limited to cotton grown in Xinjiang. However, the domestic price, as represented by the China Cotton Index[2], declined sharply, averaging 14,221 yuan/ton (105 cents per pound) in 2014/15, and fell further in 2015/16 averaging 90 cents per pound. At the start of 2016/17, the CC Index measured 15,217 yuan/ton (104 cents per pound) but quickly fell to an average of 14,258 yuan/ton (97 cents per pound) in September 2016. The CC Index rose from 14,925yuan/ton (101.5 cents per pound) at the start of October 2016 to 16,000 yuan/ton (105 cents per pound) by the end of November 2017. However, the CC Index was fairly stable for the rest of the season ranging between 15,769 yuan/ton (103 cents per pound) and 16,083 yuan/ton (107 cents per pound). The difference between the A Index (Far East) and the CC Index averaged 21.3 cents per pound in 2016/17, slightly higher than the average of 19.1 cents per pound in 2015/16, but below the average of 32 cents per pound in 2014/15 and 50 cents per pound in 2013/14.

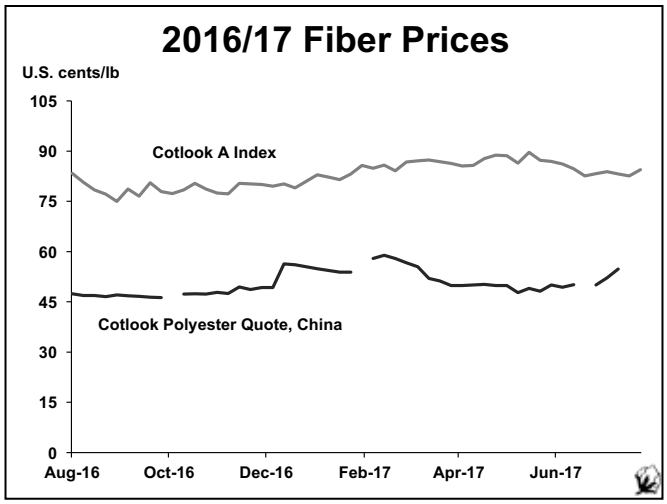
Cotton More Attractive than Most Competing Crops at Planting

Farmers' planting decisions depend on several factors, including expected net revenues from alternative crops. Major crops that compete with cotton in the short term include maize, wheat, soybeans, rice, sorghum and sugarcane.

Season-average prices for wheat and maize declined for the fourth consecutive season in 2016/17, decreasing by 11% and 6%, respectively. However, season-average prices for soybeans and sugar rose by 4% and by 28%, respectively. The season-average price for rice was unchanged from last season[3]. Prices for both wheat and maize were stable from August 2016 through March 2017, averaging $151 per ton and $155 per ton, respectively. However, while the price for maize continued at the same level, the price for wheat rose to $190 per ton by June 2017. The price for both soybeans and sugar started out much higher than in the season before and both fell in the first three months of the season. However, prices for soybeans rose from $403 per ton in November 2016 to $427 per ton in February 2017 before falling over the next four months to reach $380 per ton in June 2017. Unlike soybeans, the price for sugar continued to fall from $0.44 per kg at the start of the season to $0.37 per kg by June 2017. The price for rice fell in the first three months of the season from $415 per ton in August 2016 to $365 per ton by the start of November 2016. The price for rice remained at this level until rising quickly in the final months of season from $380 per ton in April 2017 to $458 per ton in June 2017.

2) The China Cotton Index represents the price level of Type 3128B under the new cotton national standard GB1103-2012 since September 1, 2013. Type 3128B represents white cotton grade 3, length of 28mm, and micronaire B. More information is available at: http://www.chinacotton.org/english/enewsshow.php?articleid=1155. The CC Index includes local transportation costs (delivered mill price).

3) Season-average prices for commodities are estimated by averaging monthly quotes published by The World Bank in the "Pink Sheet" from August 2015 through June 2016: (soybeans (US), c.i.f. Rotterdam; maize (US), no. 2, yellow, f.o.b. US Gulf ports; wheat (US), no. 1, hard red winter, ordinary protein, export price delivered at the US Gulf port for prompt or 30 days shipment; rice (Thailand), 5% broken, white rice (WR), milled, indicative price based on weekly surveys of export transactions, government standard, f.o.b. Bangkok; sugar (world), International Sugar Agreement (ISA) daily price, raw, f.o.b. and stowed at greater Caribbean ports.



After low prices during the first half of 2015/16, international cotton prices increased in February-March 2016, which is when farmers in the Northern Hemisphere made planting decisions for the 2016/17 season, prices for cotton were more competitive compared with those of competing crops except for sugar. The price ratios for maize, soybeans, and rice all increased in February-March 2016. The price ratios of the Cotlook A Index to wheat rose slightly in September-October 2016 when planting decisions for winter wheat were made. The greatest increases occurred in the price ratios for maize and soybeans, which increased from 8.8 to 9.4 and 3.8 to 4, respectively. The ratio for rice increased from 3.7 to 3.9. However, sugar fell from 2.3 to 2.1.

Cotton Price Remains Uncompetitive vis-à-vis Polyester

On the demand side, polyester fiber is the main competitor with cotton lint. Cotton's share of the textile fiber market (end-use) declined from 68% in 1960 to about 26.9% in 2016. Cotton's share is expected to continue to decline in 2017. The share of cotton in textile fiber end-use has decreased every year since 2009, except 2014 when it was stable.

In July 2016, international cotton prices averaged 82 cents per pound while Chinese polyester prices averaged 47 cents per pound, showing a difference of 35 cents per pound. However, the gap between cotton and Chinese polyester prices narrowed from 36 cents per pound at the start of 2016/17 to 30 cents per pound by the middle of September 2016 as international cotton prices fell while Chinese polyester prices remained stable. A difference of 31 cents per pound was maintained through mid-December 2016 when Chinese polyester prices rose from 50 cents per pound in the first week of December to 56 cents per pound two weeks later. Chinese polyester prices remained at around 55 cents per pound through February 2017, and international polyester prices had increased from 79 cents per pound to 84 cents per pound during the same period. Given that polyester prices had increased more than cotton prices, the difference between these two prices narrowed to 27 cents per pound. However, from March 2017 to May 2017, Chinese polyester prices fell from 58 cents per pound to 50 cents per pound while cotton prices continued to rise, widening the gap between the two from 30 cents per pound to 40 cents per pound. The difference between the two prices narrowed slightly to 35 cents per pound in June 2017 as international cotton prices fell while Chinese polyester prices remained stable. In July 2017, international cotton prices were around 30 cents per pound higher, averaging 83 cents per pound in comparison with 53 cents per pound for Chinese polyester.

REVIEW OF 2016/17

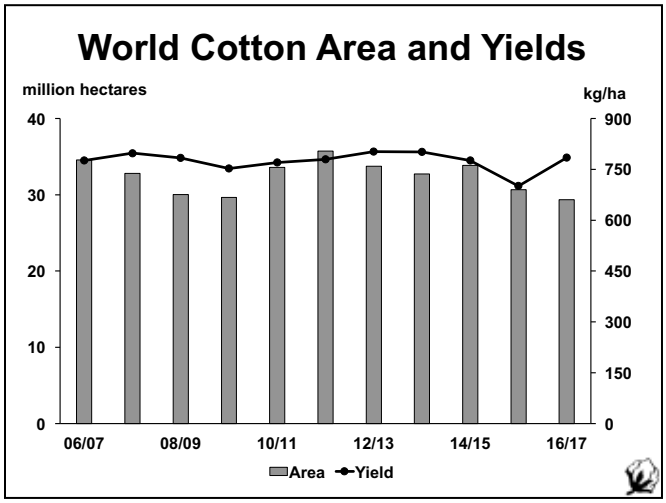
By Rebecca Pandolph, ICAC

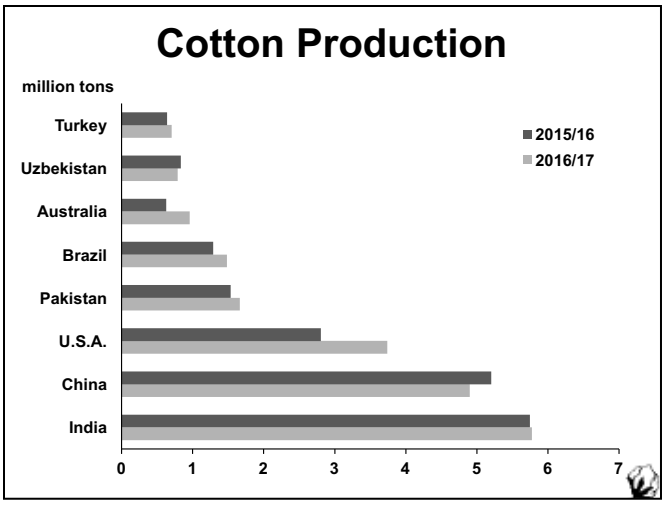
Summary

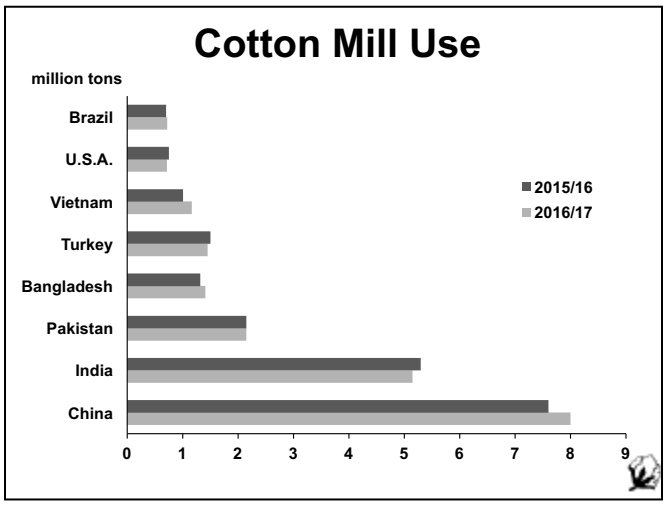
The 2016/17 season began with global cotton stocks estimated at 20.3 million tons, 12% lower than at the beginning of the previous marketing year. The Cotlook A Index increased sharply, averaging 82.77 cents per pound in 2016/17, which is above the long-term average of 70 cents per pound. Lower earnings in 2015/16 resulting from poor yields discouraged cotton farmers from planting cotton in 2016/17. Consequently, the area under cotton contracted by 4% to 29.4 million hectares. However, beneficial weather improved productivity across the globe and the world average yield rose by 12% to 76 kg/ha. As a result, production grew by 7% to 23.1 million tons in 2016/17. Following three seasons of growth, world cotton consumption decreased by 2% in 2015/16 to 24.2 million tons, but recovered by 1% to 24.5 million tons in 2016/17. However, cotton continues to struggle to gain market share against polyester. World ending stocks decreased by 7%, to 18.6 million tons, as world consumption exceeded production for the second time since 2009/10. The global stock-to-use ratio consequently fell from 84% in 2015/16 to 76% in 2016/17. World cotton trade increased by 4% to 7.9 million tons, as Chinese imports rose by 13% from 1.1 million tons in 2016/17 following four seasons of contraction. Additionally, shipments to the rest of the world increased by 3%, from 6.6 million to 6.8 million tons.

Introduction

After low prices during the first half of 2015/16, international cotton prices increased in February-March 2016, which is when farmers in the Northern Hemisphere made planting decisions for the 2016/17 season. Prices for cotton at planting time were more attractive compared with those of competing crops except for sugar. However, despite relatively higher cotton prices, the world area under cotton declined by 4% to 29.4 million hectares in 2016/17. Much of this decline can be attributed to the poor returns for cotton in 2015/16 due to lower prices that season compared to previous seasons, coupled with a 10% decline in the world average yield to 701 kg/ha. However, the world average yield improved by 12% to 786 kg/ha in 2016/17 due largely to better weather and reduced pest pressure in some regions. World cotton production grew by 7% to 23.1 million tons in 2016/17, which is below the 15-year average of 24.6 million tons.



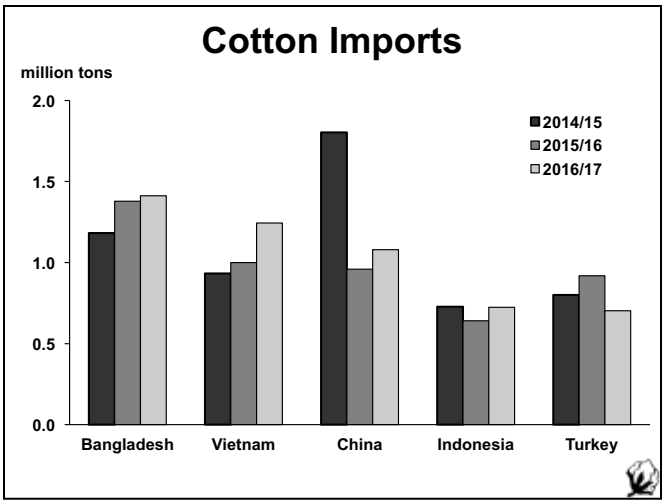


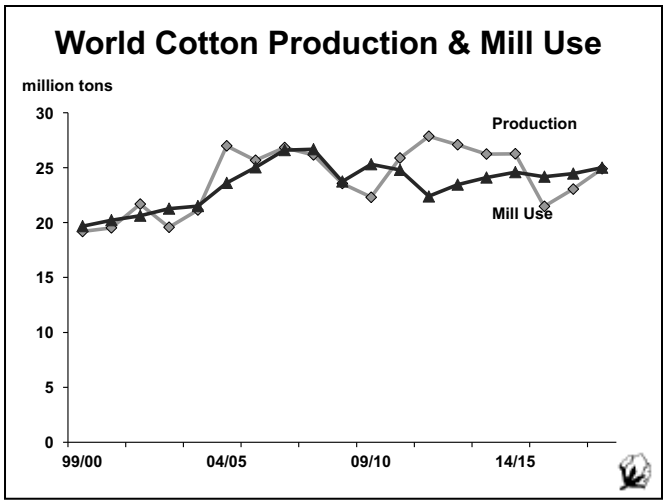


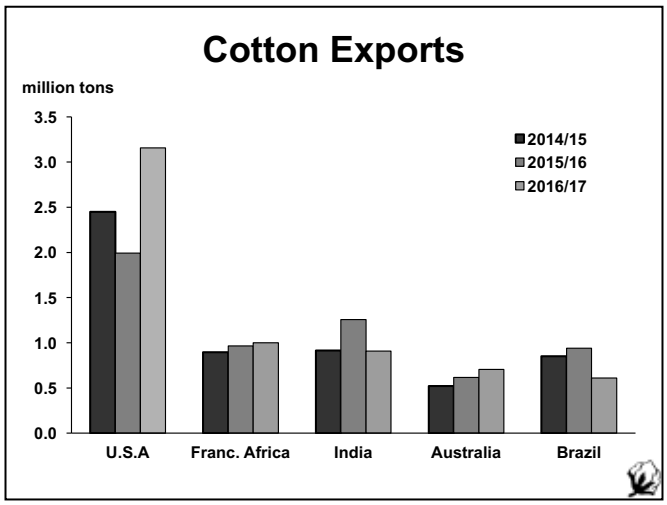
The world average yield increased by 12% to 786 kg/ha in 2016/17. Cotton yields increased in nearly all of the major producing countries, except in **Australia** where they fell by 26% to 1,722 kg/ha. After a significant fall in 2015/16, **Pakistan**'s yield recovered by 26% to 666 kg/ha, which is below the 10-year average of 705 kg/ha. The average yield rose by 14% in **India**, by 10% in China, by 13% in the **United States**, and by 20% in **Brazil**.

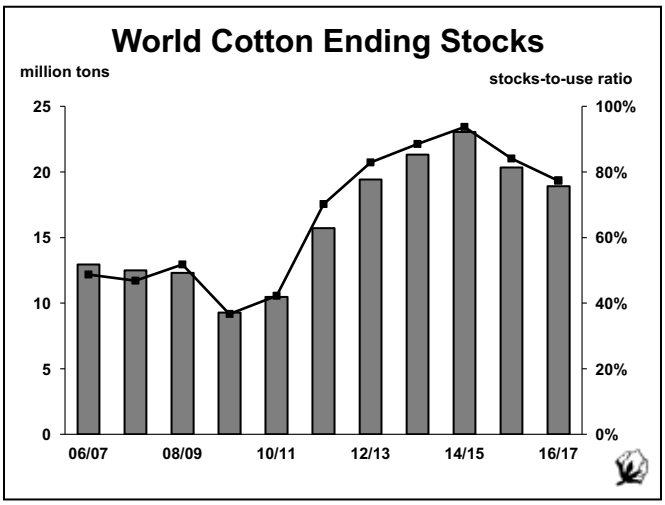
With the exception of China and **Uzbekistan**, cotton production in all the top 10 cotton-producing countries increased in 2016/17. This increase resulted from expansions in cotton area and improved yields. Cotton area in **India** contracted by 12% to 10.5 million hectares, the lowest since 2009/10, but this loss was offset by a 14% increase in the national average yield to 550 kg/ha. Production in **India** increased by 1% to 5.8 million tons, and **India** was the world's largest producer this season. A large expansion in planted area and higher yields led production in the **United States** to increase by 33% to 3.7 million tons. **Pakistan**'s production is estimated up by 8% to 1.7 million tons, as significantly improved yields offset losses in area. Production in **Brazil**, the largest producer in the Southern Hemisphere, grew by 18% to 1.5 million tons while production in **Australia**, the second largest producer in the Southern Hemisphere, increased by 53% to 960,000 tons. Output in China fell by 6% to 4.9 million tons and in **Uzbekistan** by 5% to 790,000 tons due to reductions in area.

After decreasing by 2% to 24.2 million tons in 2015/16, world cotton consumption partially recovered, increasing by 1% to 24.5 million tons in 2016/17. In 2016/17, mill use increased in half of the ten largest consuming countries. Consumption in China, the world's largest cotton-consuming country, increased by 5% to 8 million tons, recovering from significant declines in preceding seasons and encouraged by lower domestic cotton prices. Mill use fell by 3% to 5.1 million tons in **India**, the world's second largest consumer, while **Pakistan**'s consumption remained stable at 2.1 million tons. Mill use in **Bangladesh**, the fifth largest consumer, and Vietnam, the sixth largest consumer, grew by 7% to 1.4 million tons and 16% to 1.2 million tons, respectively. However, consumption in **Turkey**, the fourth largest, fell by 3% to 1.4 million tons while consumption in **Brazil** grew by 3% to 722,000 tons. Mill use was unchanged at 750,000 tons. Mill use in Indonesia grew by 7% to 700,000 tons while Mexico's









cotton consumption fell by 10% to 376,000 tons. Since 2009, the share of cotton in textile fiber end-use has decreased every year, except in 2016 when it was stable, and reached 26.9%, the lowest point in history.

In 2016/17, the volume of cotton traded internationally rose by 4% to 7.9 million tons, as both production and mill use grew this season. China, which has been the world's largest importer of cotton for many seasons fell to third in the ranking in 2015/16, as its imports dropped by 48% to 936,000 tons and maintained this place while its imports increased by 13% to 1.1 million tons. Imports by other countries (world less China) increased by 3% to 6.7 million tons in 2016/17, led by the top two importing countries, **Bangladesh** and Vietnam, which imported 1.4 million tons and 1.2 million tons, respectively. Imports by **Turkey**, the world's fourth largest buyer of cotton, fell by 23% to 704,000 tons due to the much larger crop this season. Exports from the **United States** increased by 63% to 3.2 million tons, accounting for 40% of world cotton shipments in 2016/17. On the other hand, exports from **India** fell by 12% to 1.1 million tons and from **Brazil**, by 35% to 610,000 tons. Due to the jump in production, exports from **Australia** grew by 22% to 754,000 tons in 2016/17, making it the world's third largest exporter this season. Given the fall in its production and rising mill use, exports from **Uzbekistan** decreased by 33% to 340,000 tons. Exports from **Burkina Faso** decreased by 9% to 261,000 tons, though it remained sixth largest exporter, while **Mali**'s exports grew by 22% to 240,000 tons, making it the seventh largest in 2016/17.

Global cotton consumption exceeded production by 1.5 million tons in 2016/17, which is the second consecutive season of supply deficit since 2009/10. Following five consecutive seasons of surplus, global cotton stocks jumped to the record level of 23 million tons in 2014/15, accumulating a surplus of 14 million tons, but fell by 12% to 20.3 million tons in 2015/16 and by 9% to 18.6 million tons in 2016/17. Robust sales from the Chinese government reserve reduced China's ending stocks by 16%, to 10.6 million tons, while stocks in the rest of the world increased by 4% to 8 million tons.

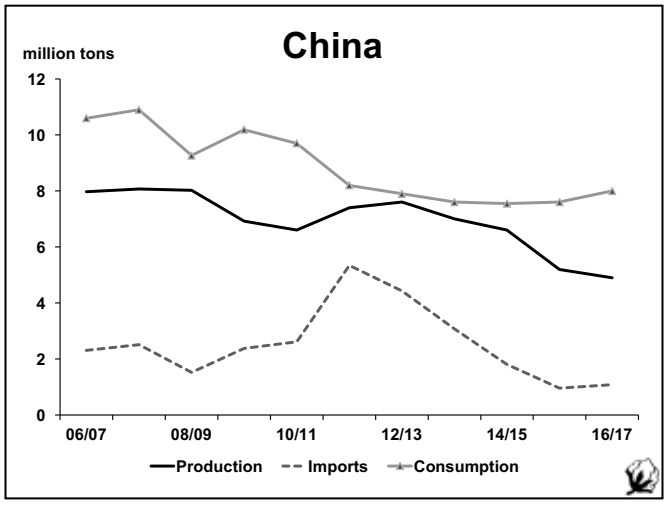
The global stock-to-use ratio fell to 76% in 2016/17, which was the second season of decline since 2009/10. In China, the stock-to-use ratio decreased from 166% to 133%. Outside China, the stock-to-use ratio was stable at 32%, which is slightly below the 15-year average of 35%.

In 2016/17, the Cotlook A Index increased by 12 cts/lb from 2015/16, averaging 82.77 cents per pound for the season. Given the increase in world production and prices in 2016/17, the value of world cotton production rose to $45 billion.

China Government Cotton Reserve at Half of Peak Volume

In 2016/17, China was the world's largest consumer of cotton, accounting for 32% of the world's consumption. China became the world's largest importer during the mid-1990s and held that position until 2015/16. While it had been the world's largest producer for some years, production in **India** caught up with Chinese output in 2014/15, when the two countries each accounted for 25% of the world's production. **India** then surpassed China in 2015/16 and maintained that place in 2016/17. In 2014, the Chinese government implemented a target price program of 19,800 yuan/ton (about 146 US cts/lb at the average seasonal exchange rate), limited only to cotton grown in the northwestern province of Xinjiang. Under the new direct subsidy system, the Chinese government pays growers in Xinjiang the difference between the target price and the average market price for cotton. A much lower subsidy for regions outside of Xinjiang was announced later in the season. In 2015/16, the Chinese government lowered the target price to 19,100 yuan/ton in 2015/16 in an effort to reduce domestic cotton supply. In 2016/17, the target price was reduced to 18,600 yuan per ton (around 122 cts/lb). Given the lower subsidy and high costs of production, cotton area in China declined by 14% to 2.9 million hectares, which is the lowest in the last 35 years.

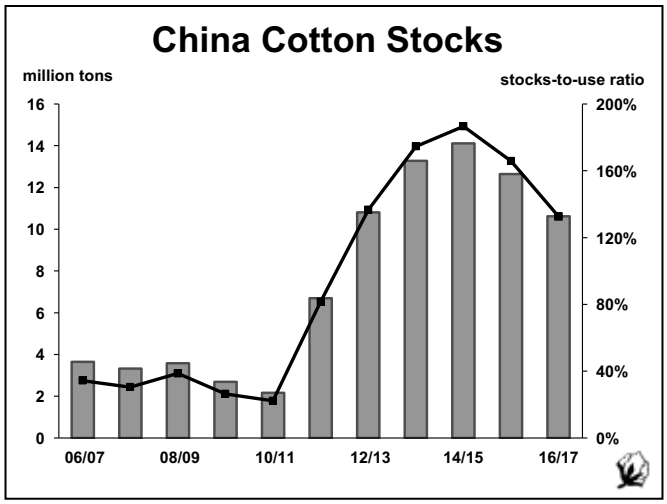
In 2016/17, weather varied across the many cotton regions in China with excess rains and flooding in some of the Eastern provinces and high temperatures in other regions. However, weather was ideal in Xinjiang. Production in Xinjiang has grown considerably and the majority of cotton grown in China is cultivated in this region. Xinjiang generally has much higher cotton yields than other regions, thus boosting the average national yield in the last few seasons as it accounts for 60 to 70% of total production in China. The national average yield increased by 10% to 1,676 kg/ha in 2016/17. Due to the reduction in planted area, production in China fell 6% from 5.2 million tons in 2015/16 to 4.9 million tons in 2016/17.

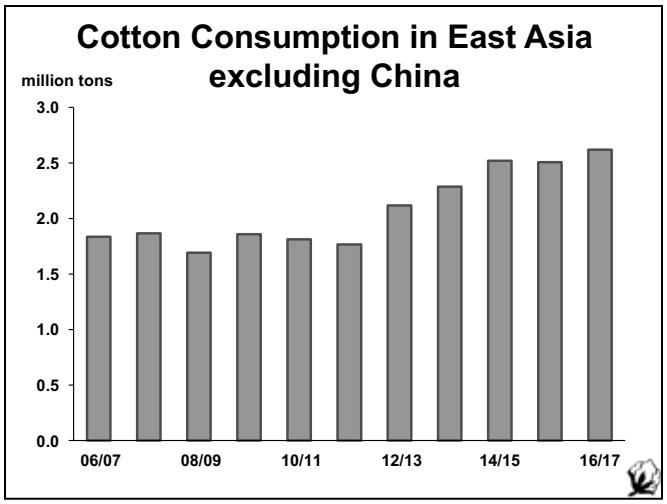


After exceeding ten million tons in 2006/07, 2007/08, and 2009/10, cotton consumption in China trended downwards in the next five seasons. Several factors diminished the competitiveness of the Chinese textile industry, including: rising production costs (labor, energy and credit); labor shortages; and the high price of domestic cotton. However, consumption partially recovered in the next two seasons, rising by 1% to 7.6 million tons in 2015/16 and by 5% to 8 million tons in 2016/17 aided by lower domestic cotton prices. With the ending of its reserve stockpiling in 2014, domestic Chinese cotton prices quickly fell and have since then much more closely aligned to international cotton prices. This in turn has made domestic yarn much more competitive, and China's cotton yarn imports have declined with the domestic textile industry relying more on domestic yarn. Mill use in China while expanding by 5% in 2016/17, is still below the level observed in 2011/12 when cotton prices were much higher and it had begun its cotton stockpiling. Further recovery in cotton mill use has been limited by the significant gap between cotton and polyester prices, which widened in the second half of 2016/17.

The gap between domestic and world cotton prices, in conjunction with strong demand, stimulated record imports of 5.3 million tons of cotton in 2011/12. Since then, import volumes have fallen in each subsequent season. In 2015/16, China imported 960,000 tons of cotton, down 82% from 2011/12. However, in 2016/17, China's imports rose by 13% to 1.1 million tons despite limited import quota. In order to encourage consumption of domestic cotton, the Chinese government limited its import quota to the volume required under its commitments to members of the World Trade Organization in 2015, 2016 and 2017. In 2016/17, domestic mill use exceeded production by 3.1 million tons. A large part of the demand was met by sales from the reserve, especially Xinjiang cotton. However, imports were used to fill the gap, particularly for high-quality cotton. **Bangladesh** and Vietnam overtook China as the world's largest two importers in 2015/16, and the relative positions have been maintained in 2016/17.

In 2016/17, the **United States** overtook **Australia** to become the largest exporter of cotton to China, accounting for 47% of China's imports. The U.S. share of Chinese imports was 20% in 2015/16, exporting just 192,000 tons, while **Australia** exported 268,000 tons. In 2016/17, **Australia** exported around 155,000 tons to China, accounting for 15% of total Chinese imports. Given the limited import quota in both 2015 and 2016, China's imports focused on higher quality machine-picked cotton that has low contamination. **India**, which was the largest supplier of cotton to China in 2013/14, exporting 1.1 million tons, dropped to third largest in 2015/16





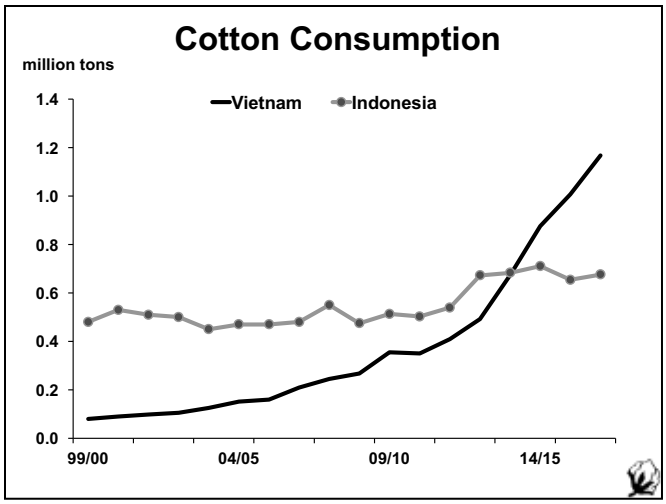
and 2016/17, shipping 150,000 tons. Other major suppliers of Chinese cotton imports include **Uzbekistan**, and **Brazil**. For the past six seasons, African countries have contributed on average 10% of total exports to China. The top four exporting African countries in 2016/17 were **Sudan,** Benin**, Cameroon**, and **Côte d'Ivoire**.

At its peak in March 2014, stocks in the Chinese national cotton reserve were estimated to exceed 13 million tons. Sales from the government reserve that season reduced the government stocks to just over 11 million tons. Sales from the government reserve in 2014/15 did not start until July 2015, unlike in previous seasons when they started in March. Around 60,000 tons were sold in 2014/15, which reduced the government cotton reserves to 11 million tons at the end of August 2015. No purchases were made in 2015/16, but sales were restarted in the first week of May 2016, with both imported and domestic cotton being offered. Total sales in 2015/16 reached 2.6 million tons, reducing the total stocks held by the Chinese government to around 8.4 million tons. In 2016/17, the government began its sales in March 2017, while the pace of sales was slower compared to the previous year - 1.9 million tons have been sold between March and July 2017. As a result, the total stocks held by the Chinese government declined to 6.6 million tons at the end of 2016/17, which is less than half of its peak. China's ending stocks for the season are estimated at 10.6 million tons, down 16% from the preceding season, but still more than sufficient for one year of use. China's stock-to-use ratio fell from 166% to 133% by the end of 2016/17.

Consumption Growth in the Rest of East Asia Concentrated in Vietnam and Indonesia

East Asia (excluding China) accounted for 11% of world cotton mill use in 2016/17. Cotton consumption in the region slowly decreased since the end of the 1980s, affected by competition from other countries with lower yarn production costs, although this trend does not apply to Vietnam and Indonesia. In recent years, consumption growth in these two countries has offset declines or stagnation in the rest of East Asia. After a 10% rebound in 2009/10 to 1.9 million tons, consumption resumed its decline in 2010/11 and 2011/12 as high international cotton prices made imports very expensive. However, mill use grew in 2012/13 by 20%, to 2.1 million tons, due to strong demand for cotton yarn in China. In 2013/14, growth slowed and mill use reached 2.3 million tons, 8% higher than in the previous season. In 2014/15, consumption in the region expanded by 10% to 2.5 million tons. However, mill use was unchanged in 2015/16 due largely to the decline in Indonesia. In 2016/17, mill use grew by 4%, surpassing 2.6 million tons. East Asian countries produce very little cotton, less than 10,000 tons annually for the whole region, and therefore import the vast majority of their requirements. Cotton imports rose from 2.5 million tons in 2015/16 to 2.7 million tons in 2016/17.

With the exception of a small drop in 2010/11, cotton consumption in Vietnam has increased steadily over the past twenty years, from 40,000 tons in 1996/97 to 1.2 million tons in 2016/17. In addition, Vietnam has been one of the main beneficiaries of the decline in spinning in China, since much of that country's industry has shifted to that location. Significant investment was made by China and Hong Kong in early 2014 in Vietnam's textile and garment industry. Lower wages for workers in Vietnam compared to China, lower tax rates, and affordable electricity rates have all made Vietnam attractive for foreign investment in its textile sector. In recent years, the number of spindles has expanded considerably, allowing for a 15% increase in consumption to 1.2 million tons in 2016/17. Vietnam was the sixth largest consumer of cotton in 2016/17. Cotton production in Vietnam remains negligible at 2,000 tons in 2016/17. Given its small production, Vietnam imports almost all of the cotton it spins. Imports have grown considerably over time, from less than 100,000 tons before 2003/04 to 1.2 million tons in 2016/17. Vietnam became the second largest importer of cotton in 2015/16, passing China and has maintained that place in 2016/17. It sourced around 55% of its imports from the **United States**, 12% from **India**, 8% from **Brazil** and 7% from **Australia**.



Cotton mill use in Indonesia grew steadily from 104,000 tons in 1980/81 to 530,000 tons in 2000/01. Over the next decade, growth fluctuated from year to year, and annual mill use ranged from 450,000 to 550,000 tons. After declining by 15% to 475,000 tons in 2008/09, mill use recovered by 8% to 513,000 tons in the following season. After a slight decline in mill use in 2010/11 attributed to the high cost of imported cotton that season, mill use expanded by 41% over the next four seasons, reaching 711,000 tons in 2014/15. However, Indonesia's cotton consumption fell by 8% to 654,000 tons in 2015/16 due to competition from cheaper competing fibers that has made cotton less attractive to the spinning sector, rising wages, and weak demand. Indonesia faces strong competition from other countries including **Bangladesh**, Vietnam and Ethiopia, and high inflation has also weakened local demand. Additionally, the appreciation of the Indonesian rupiah against the US dollar during the first six months of 2015/16 made imports of cotton much more expensive and further decreased mill use. While its currency has appreciated during 2016/17, local and international demand remains weak. However, the textile industry also anticipates government support in the form of limiting yarn and textile imports in the near future. As a result, Indonesia's mill use increased by 7% to 700,000 tons in 2016/17. Cotton imports are estimated at 750,000 tons in 2016/17, up by 17% from the previous season as mills anticipate an increase in manmade fiber prices. Indonesia was the fifth largest importer of cotton in 2016/17. Cotton production is minimal in Indonesia, but is estimated at 5,000 tons, unchanged from last season.

Thailand's cotton mill use has fallen since the record of 460,000 tons achieved in 2004/05, due to competition from other Asian countries. After a brief revival in 2009/10 and a slight decline in 2010/11, cotton consumption dropped by 30% in 2011/12 to 270,000 tons. This was the lowest level of cotton mill use in over two decades. While cotton consumption recovered by 33% to 360,000 tons in 2012/13, it remained below the average level of 415,000 per season achieved in the ten years before and continues to decline. Ongoing labor shortages and a slowdown in the domestic economy has put downward pressure on cotton mill use. In 2016/17, mill use fell by 8% to 255,000 tons, marking the fourth consecutive season of declining consumption. As cotton production has nearly disappeared, averaging around 1,000 tons a season in the last nine seasons, Thailand relies on imports. In 2016/17, cotton imports to Thailand are estimated at 255,000 tons.

After recovering in 2014/15 to 290,000 tons, cotton consumption in **Korea** declined by 5% to 270,000 tons in 2015/16 and by 15% to 230,000 tons in 2016/17. Competition from lower cost countries, the appreciation of the Korean won against the currencies of countries with which it competes in the global market and a slowdown in the domestic economy have contributed to the decline in cotton spinning. **Korea** imports all of the cotton it spins, and in 2016/17, cotton imports are estimated at 225,000 tons, down by 22% from the previous season as the depreciation of the Korean won against the U.S. dollar made imports more expensive. Nearly all of the cotton purchased came from the **United States** (57%) and **Brazil** (38%).

During the past decade, **Taiwan** gradually upgraded its spinning equipment and improved its operating efficiency, while relocating older spindles to other Asian countries to take advantage of lower production costs. Increasing emphasis is being placed on design and research and development with a focus on developing value-added functional and eco-textiles in order to better compete with lower cost countries. In 2016/17, mill use fell by 11% to 153,000 tons, as the textile sector has focused more on downstream products rather than cotton yarn and increased its use of manmade fibers. Cotton imports have followed the same trend as mill use, decreasing by 15% to 137,000 tons in 2016/17. Around 90% of its cotton imports were sourced from three countries in 2016/17: the **United States** (70%), **Brazil** (15%), and **India** (7%).

At its peak, Japan's spinning sector represented 7% of world mill use, but its share is now less than half of a percent. High production costs have caused many domestic companies in the cotton textile sector to shift production overseas. In addition, cotton price shocks have also made it more difficult for Japanese companies with facilities in Japan to remain in business, since they rely on imports and a highly volatile price environment makes businesses more reluctant to enter into purchase contracts. Mill use in Japan steadily declined from 760,000 tons in 1989/90 to 70,000 tons in 2009/10. However, after restructuring of the sector in recent years, the industry has remained stable, and cotton mill use is estimated at 62,000 tons in 2016/17. The depreciation of the Japanese yen against the U.S. dollar during much of the season made imports relatively more expensive in 2016/17, and imports decreased by 17% to 56,000 tons.

Increased Production in South Asia

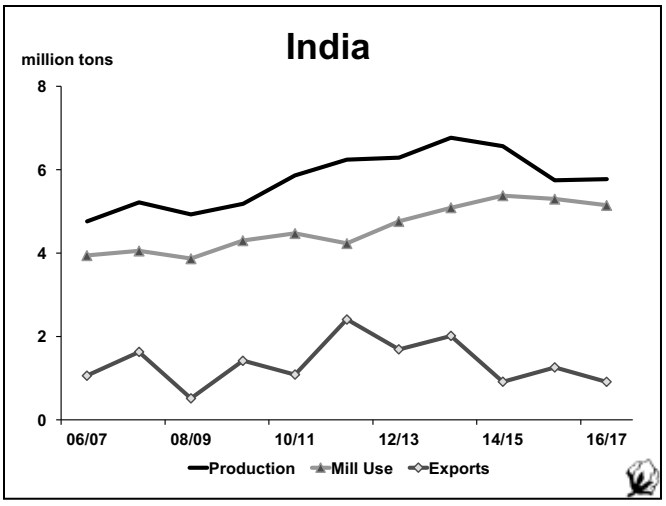
South Asia is the world's largest cotton producing and consuming region. In 2016/17, it accounted for 33% of global cotton production and 36% of world cotton mill use. Most

production and consumption takes place in **India** and **Pakistan**, although **Bangladesh** also spins significant quantities of cotton. Cotton production and mill use in South Asia have increased steadily in recent decades, most of the time balancing each other except in 2011/12, the season after a significant hike in cotton prices and in 2015/16 when production fell significantly below mill use due to exceptionally poor yields. In 2011/12, production grew by 9%, to 8.8 million tons, while consumption fell by 6%, to 7.3 million tons, creating a gap of 1.5 million tons. In 2015/16, production fell by 18% to 7.5 million tons. While consumption in South Asia declined by 3% to 9 million tons in 2015/16, it exceeded production by 1.5 million tons. In 2016/17, production reached 7.6 million tons, a rise of 2% in relation to 2015/16 as the regional yield recovered. Despite the increase in production, regional mill use exceeded production by 1.3 million tons, which fell by 2% to 8.9 million tons in 2016/17. Much of the yarn produced during 2011/12 through 2013/14 was exported to China, but in the last two seasons demand from China for cotton yarn has significantly decreased. Exports from South Asia declined by 28% to 940,000 tons in 2016/17. The demonetization of the Indian currency earlier in the year delayed arrivals of cotton, and consequently exports from **India**, which is the region's largest exporter.

India's Yields Improve Offsetting Losses in Area While Mill Use Falls

For several seasons, **India** has been the second-largest cotton-producing country after China. However, while China's production has steadily decreased since 2009/10, **India**'s has grown. In 2014/15, **India** produced 6.5 million tons, roughly equal to the volume of production of China. However, in 2015/16, **India** overtook China to become the world's largest producer and maintained that place in 2016/17. Cotton area in **India** decreased by 12% to 10.5 million hectares. Despite higher prices for cotton at the end of 2015/16, returns for food crops, particularly pulses, were seen as more attractive than for cotton. After two seasons of decline, the average yield in **India** recovered by 14% to 550 kg/ha, which is the third highest yield on record (lower only than the 566 kg/ha recorded in 2013/14 and the 554 kg/ha recorded in 2007/08). Similar to 2013/14, plentiful monsoon rains later in the growing season as well as better pest control contributed to the boost in yield. As a result, production in 2016/17 is estimated to have risen by 1% to 5.8 million tons, which accounts for 25% of global production.

India is the second largest consumer of cotton behind China, accounting for 21% of world cotton mill use in 2016/17. After falling by 5% in 2011/12 to 4.2 million tons due to high raw material prices, cotton consumption grew steadily over the next three seasons as a result of strong demand for yarn from China, **Pakistan** and the local textile industry. However, mill use decreased by 3% to 5.1 million tons in 2016/17, which is the second consecutive season of declining mill use. Demand from China has decreased in the last two

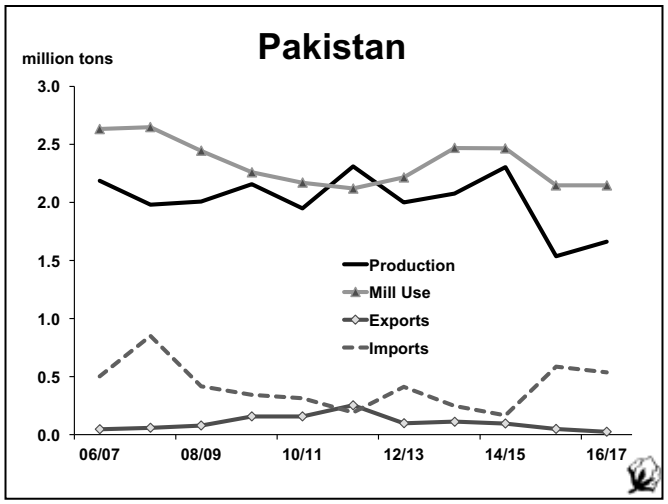


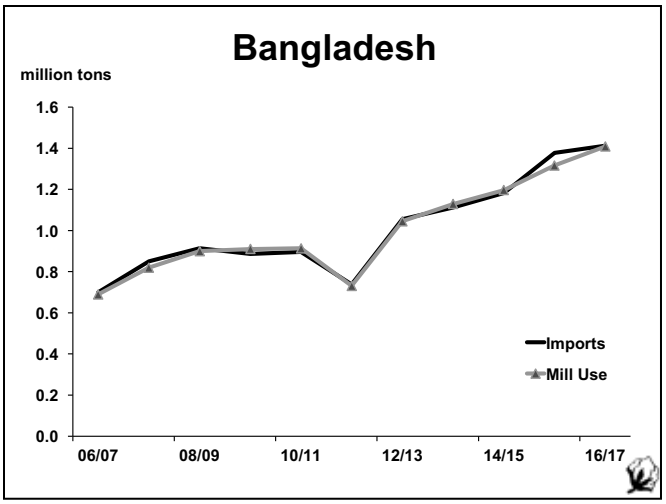
seasons and competition from other countries has increased. Further, the demonetization in November 2016 and shortage of the new notes led to a currency crisis, since much of the Indian economy operates on a cash basis, including payments to farmers. This has led to delays in sales of cotton and kept domestic cotton prices firm in the second half of the season.

India has been a substantial net exporter of cotton since 2005/06 due to considerable increases in production. However, cotton exports have fluctuated in the last few years, depending on government export policies, overseas demand and consumption growth in **India**. Cotton shipments grew to a record of 2.4 million tons in 2011/12, before decreasing by 30% to 1.7 million tons in 2012/13. Exports increased 20%, to two million tons, in 2013/14 because of strong overseas demand and a large exportable surplus. Weaker foreign demand, particularly in China, caused exports to fall by 55% to 914,000 tons in 2014/15, representing the first season when exports fell below one million tons since 2008/09. However, exports grew by 38% to 1.3 million tons in 2015/16, due to strong demand for cotton outside of China, production shortfalls in many countries, and large domestic carryover stocks. In 2016/17, exports decreased by 12% to 1.1 million tons as the appreciation of the Indian rupee against the U.S. dollar and the firm domestic prices made cotton exports from **India** less competitive in price. **India** is the second largest exporter of cotton in the world and accounted for 14% of all exports in 2016/17. **India**'s imports of cotton doubled to 475,000 tons in 2016/17 due to the delay in domestic cotton arrivals and concerns over quality. **India**'s cotton stocks at the end of July 2017 are estimated at 1.5 million tons, unchanged from last season. The stock-to-use ratio in 2016/17 was 24%.

Yield Recovers in Pakistan

In 2015/16, cotton production in **Pakistan** shrank by 34% to 1.5 million tons due largely to a 32% decline in the average yield to 528 kg/ha, which was the lowest yield since 1998/99, as pink bollworm, which is hard to spot in the field, re-emerged as a significant pest. However, measures, such as removing stalks at the end of the harvest and switching to





more effective insecticides, were taken to combat the pink bollworm. Coupled with greater use of inputs like fertilizer and pesticides due to higher expected returns, the average yield recovered by 26% to 666 kg/ha in 2016/17. The poor yield and low returns in 2015/16 discouraged farmers from planting cotton in 2016/17, and area contracted by 14% to 2.5 million hectares. Production increased by 8% to 1.7 million tons in 2016/17, but remains below the 15-year average of 2 million tons. **Pakistan** was the fourth largest producer of cotton in the world in 2016/17, harvesting 7% of the world cotton crop.

Pakistan is the third largest consumer of cotton after China and **India**, accounting for 9% of global cotton mill use in 2016/17. **Pakistan** has been one of the largest exporters of cotton yarn since 1988, in particular to China. After decreasing by 13% in 2015/16, cotton mill use was unchanged at 2.1 million tons in 2016/17. Demand from China remains weak as imports from other countries such as Vietnam were more competitive. In addition, competition from cheaper Indian yarn imports in the domestic market and ongoing electricity shortages inhibited growth.

Pakistan is a significant net importer, since it needs extra cotton lint to make up for the shortfall in domestic production. With the exception of 2011/12, when production reached 2.3 million tons, **Pakistan** has been a net importer of cotton since 2001/02. In 2016/17, imports declined by 8% to 538,000 tons as the larger supply lowered the need for imports to meet spinning mill requirements. Exports are estimated down from 50,000 tons in 2015/16 to 24,000 tons in 2016/17. **Pakistan**'s cotton stocks at the end of July 2016 are estimated at 734,000 tons, virtually unchanged from the previous season.

Bangladesh Mill Use Continues to Grow

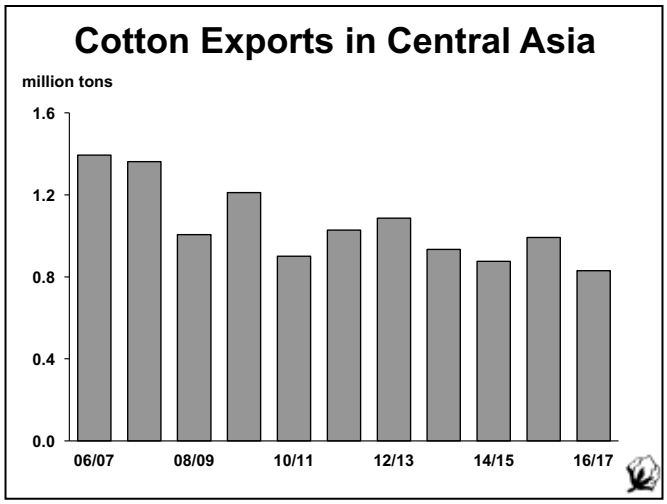
After the spike in cotton prices, cotton mill use in **Bangladesh** contracted by 20% to 731,000 tons in 2011/12, due to substantial stocks of yarn made from high-priced cotton, competition from lower-priced cotton yarn imports from **India** and China, energy shortages, high interest rates, difficulties in obtaining credit to buy imported cotton, and challenges in meeting contractual obligations in the second half of 2011. However, consumption has grown significantly in each of the following seasons. **Bangladesh** became the fifth largest cotton consumer in 2013/14 and has remained in this position since. Duty-free access for its textiles to large textile consumer markets, such as the **United States** and the **European Union**, and low wages compared to China have contributed to **Bangladesh**'s growth. In 2016/17, **Bangladesh**'s consumption is estimated at 1.4 million tons, up 7% from 2015/16 due to strong domestic and foreign demand.

Cotton production in **Bangladesh** remains small, but has been stable in the last three seasons with support from the Cotton Development Board, which is trying to reduce requirements for cotton imports by the spinning and textile sectors. Cotton area and production remained unchanged in 2016/17 at 43,000 hectares and 28,000 tons.

Bangladesh became the largest importer of cotton in 2015/16, passing China and accounting for 18% of global imports and has maintained that position in 2016/17. Due to the limited volume of the domestic crop, **Bangladesh** imports nearly all of its requirements. Imports grew by 2% to 1.4 million tons in 2016/17. Stocks of cotton at the end of July 2017 reached 378,000 tons.

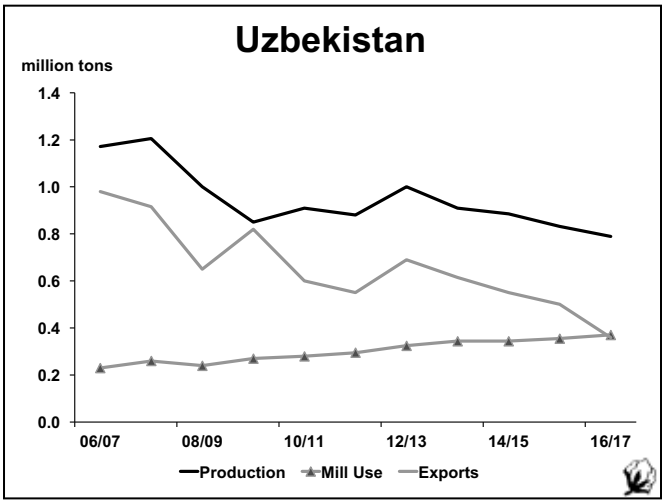
Cotton Production and Exports Fall While Mill Use Grows in Central Asia

The area under cotton in Central Asia has been shrinking since 2012/13, when it reached 2.3 million hectares, due to competition from food crops. In most countries, the government sets targets for cotton area as well as other crops, and has prioritized food crops in recent years. In 2016/17, the area planted to cotton in Central Asia fell by 2% to 2.2 million hectares. Production in 2016/17 fell by 2%, to 1.3 million tons, as a slight improvement in the yield from 616 kg/ha in 2015/16 to 619 kg/ha in 2016/17 offset some of the loss in area. However, this remains well below the 10-year average



yield of 668 kg/ha for the region. Cotton mill use grew by 3% to 544,000 tons in 2016/17, which is the sixth season of growth. Given the fall in production and growing mill use, exports from the region fell by 16% to 830,000 tons.

Uzbekistan was the seventh largest cotton-producing country, accounting for 3% of global cotton production in 2016/17. All aspects of production are managed by the government of **Uzbekistan**. In 2016, the government announced its plan to make cuts in the cotton area by 2020, in order to reduce cotton planting in low-yielding areas and replace them by other agricultural crops. Area under cotton in 2016/17 contracted by 4% to 1.3 million hectares. The average yield in **Uzbekistan** fell by 2% to 631 kg/ha in 2016/17, due to lack of quality inputs, pest pressure, insufficient water, and excessive heat during the growing period. As a result, production declined by 5% to 790,000 tons. Given the importance of the textile sector, the government has encouraged new partnerships and investments to increase domestic use. Consumption grew by 4% to 371,000 tons in 2016/17. **Uzbekistan**'s exports declined by 33% to 340,000 tons in 2016/17 due to the smaller exportable surplus. Stocks of cotton at the end of July 2017 were around 300,000 tons.



In 2014/15, the government of Turkmenistan reduced planned cotton area from 550,000 hectares to 545,000 hectares and maintained the same planted area for 2015/16 and 2016/17. The average yield was stable at 542 kg/ha. As a result, production was unchanged from last season at 296,000 tons. New machinery for the textile industry was installed in 2014, and Turkmenistan's mill use has been growing at about 2 percent a year. Cotton mill use in Turkmenistan is estimated at 140,000 tons in 2016/17. All of the 2015/16 crop and much of the carryover from previous seasons was either consumed by domestic spinning mills or exported last season with exports reaching 273,000 tons. However, exports decreased by 48% in 2016/17 to 143,000 tons, which is reflective of the smaller exportable surplus this season and replenishing of stocks. Turkmenistan is currently the only country in Central Asia that produces a substantial volume of extra-long staple cotton. In 2016/17, its production of extra-long staple cotton is estimated at 19,000 tons.

Less than ideal weather conditions during planting and a shortage of inputs led to a 5% decrease in cotton area to 162,000 hectares in Tajikistan in 2016/17, marking the fifth consecutive season of decline. However, production is relatively unchanged from last season at 85,000 tons as the average yield improved by 4% to 525 kg/ha. The recovery in yield after three seasons of decline is partially attributed to Chinese investments in modernizing facilities and farming practices. Mill consumption of cotton is estimated at 11,000 tons, up by 2,000 tons from last season as Chinese investors have also built new facilities in Tajikistan. Exports fell by 5,000 tons to 79,000 tons.

After two seasons of contraction, the cotton area in **Kazakhstan** expanded by 12% to 111,000 hectares due to better expected returns for cotton compared to competing crops. Ideal weather during growing and harvesting led to an increase in yield of 40% to 630 kg/ha, and production rose by 57% to 70,000 tons. Consumption declined by 2,000 tons to 12,000 tons in 2016/17, while exports increased by 38% to 55,000 tons due to the larger exportable surplus and depreciation of its currency against the U.S. dollar.

The area under cotton in Kyrgyzstan is unchanged from 2015/16 at 14,000 hectares as weak government support and lack of investment in the sector continue to discourage farmers from planting cotton. The national average yield is estimated at 810 kg/ha, and production reached 12,000 tons. As only around 1,000 tons of cotton lint are used locally, most of Kyrgyzstan's crop is exported. Exports in 2016/17 are estimated at 14,000 tons.

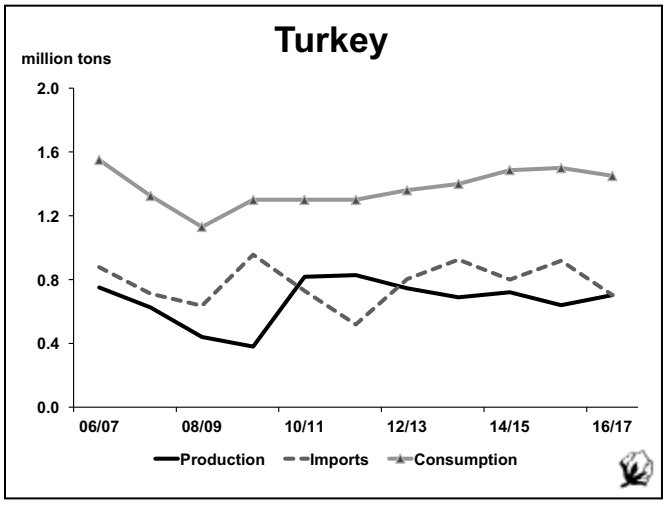
The cotton area in Azerbaijan more than doubled from 19,000 hectares in 2015/16 to 51,000 hectares in 2016/17. With an average yield of 623 kg/ha, production reached 32,000 tons in 2016/17, up from 13,000 tons in 2015/16. This was the first season since 2007/08 when production was over 30,000 tons. The government implemented a new state support program for its cotton sector in 2016 that encouraged farmers to plant

cotton. This support included increasing the purchase price of cotton as well as a subsidy, exemption from some taxes, and the extension of the irrigation schemes to new land. The government is also developing a cotton processing and textile industrial zone to be completed by the end of 2017 and will also focus on improving infrastructure for external trade. Consumption is estimated at 16,000 tons, nearly unchanged from last season. The volume of cotton exports is estimated at 10,000 tons.

Turkey: Higher Production and Lower Consumption

Poor returns due to low yields in 2015/16 discouraged farmers from planting cotton in 2016/17, and consequently the area under cotton in **Turkey** decreased by 3% to 420,000 hectares. After decreasing by 6% to 1,475 kg/ha, the national average yield rose by 14% to 1,674 kg/ha. In addition to beneficial weather, farmers are increasingly using certified seeds and irrigation has expanded due to investment by the Turkish government in the Southeastern Anatolia region (GAP). As a result, cotton production grew by 10% to 703,000 tons.

Cotton mill use in **Turkey** decreased by 3% to 1.45 million tons in 2016/17, following four seasons of growth. As Asian competitors (**Bangladesh**, **India** and **Pakistan**) increasingly switched to the Chinese market, Turkish spinners became dominant players in Europe. However, slow growth in Europe, its main destination for textile exports, and uncertainty created by geopolitical instability have negatively impacted Turkey's overall economy as well as its textile sector. Additionally, competition from lower cost spinners in Asia have particularly impacted domestic spinning mills. **Turkey** was the fifth largest consumer in 2016/17, accounting for 6% of world mill use. Despite the decline in mill use and rise in production, **Turkey** remains a significant importer of cotton. **Turkey** maintained its place as the fourth largest importer of cotton in 2016/17, accounting for 9% of world imports. Due to the much larger domestic supply and the depreciation of the Turkish Lira against the U.S. dollar, **Turkey**'s imports decreased by 23% to 704,000 tons in 2016/17. The **United States** remained the largest supplier of cotton to **Turkey**, accounting for around 40% of all imports. Imports from Greece, **Brazil**, Turkmenistan, and **Burkina Faso** were the next largest suppliers of cotton to **Turkey**.



Middle East: Both Cotton Production and Consumption Fall

Cotton production in the Middle East has generally declined since 2004/05, although a 24% revival in 2011/12 to 302,000 tons interrupted this trend. In the last two seasons, cotton production decreased even further, by 25% in 2015/16 to 117,000 tons and by 5% to 112,000 tons in 2016/17. Cotton mill use, on the other hand, grew steadily since the 1990s, growing by 3% a year from 213,000 tons in 1992/93 to 362,000 tons in 2007/08. However, the economic recession in 2008/09, the spike in cotton prices in 2009/10, and instability in the region reversed the general upward trend. After recovering by 10% in 2009/10 to 350,000 tons, mill use in the region remained stable in 2010/11 before steadily declining in the next six seasons. In 2015/16, mill use declined by 18% to 185,000 tons and in 2016/17, by 16% to 155,000 tons.

The downturn in the world economy and the ongoing civil war in Syria has had a negative effect on cotton production and mill use. Syria's production is estimated to have fallen by 11%, to 35,000 tons, in 2016/17 on an area of 35,200 hectares, with an average yield of 983 kg/ha. Cotton is grown mostly in the north and northeast of Syria, though cotton farming in Aleppo and Deir Al-Zour has stopped due to the conflict in these areas. Elevated prices of fuel and fertilizers and a lack of labor have greatly contributed to the ongoing decline in cotton production. A ban on cotton imports means that cotton consumption is limited to domestic supplies, and consumption decreased from 60,000 tons in 2015/15 to 24,000 tons in 2016/17.

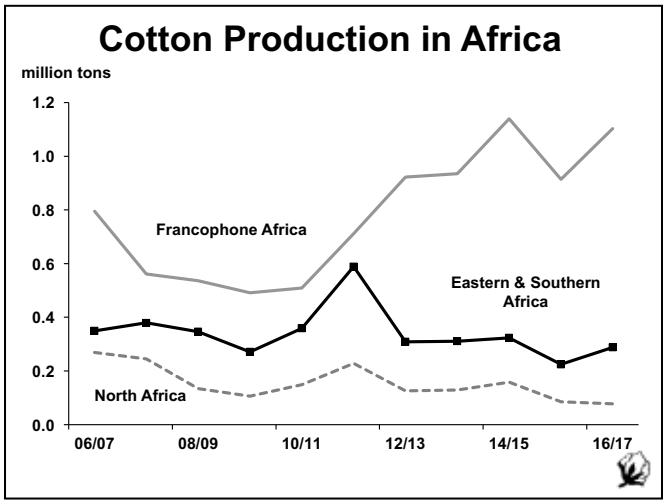
Cotton production in Iran increased by 7% to 53,000 tons in 2016/17 while the average yield remained unchanged at 702 kg/ha. Cotton area in Iran expanded by 6% to 75,000 hectares. Cotton mill use in Iran declined by 14% to 113,000 tons in 2014/15 and by 12% to 100,000 tons in 2015/16. Insufficient production, obstacles to imports of cotton, and competition from textile imports have made it difficult for the spinning industry in Iran to expand, despite demand for domestically produced cotton yarn. However, in 2016/17, consumption grew by 10% to 110,000 tons in 2016/17 due to increased domestic supplies and easing of economic sanctions against Iran since January 2016, which allows for increased investment.

In recent seasons, farmers in Israel have grown mainly extra-fine cotton (Pima and Acalpi). In 2016/17, cotton area in Israel decreased from 9,000 to 8,000 hectares due to decreased prices in 2015/16 and an unfavorable exchange rate with the U.S. dollar. Prices for Acalpi fell by around 7% since 2014/15 while prices for Pima declined by 17% compared to 2014/15. Overly hot weather early in the season caused the average

yield to decline by 7% to 1,761 kg/ha. This is below the 5-year average of 1,905 kg/ha. Since Israel does not consume cotton locally, exports reached 14,000 tons in 2016/17.

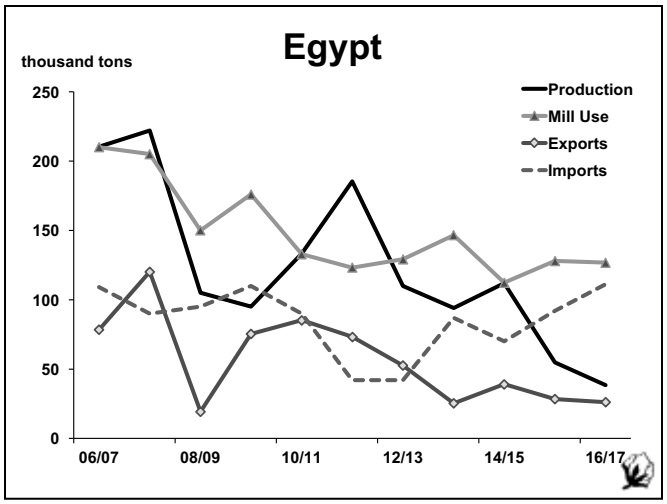
Africa: Cotton Production and Yield Increases

After two seasons of growth, African cotton production declined by 24% to 1.3 million tons in 2015/16, which is the smallest volume since 2010/11 as cotton area contracted by 11% to 4 million hectares and the average yield fell by 15% to 321 kg/ha due to adverse weather. However, higher prices especially compared to competing crops led to an expansion in cotton area in 2016/17, which increased by 9% to 4.3 million hectares. Improved weather conditions boosted the regional average yield by 10% to 352 kg/ha, but significant variations exist within countries and regions. Africa's generally low yields are partly explained by the fact that most cotton area is rainfed, while almost two-thirds of the world cotton area is irrigated. Total cotton output for 2016/17 grew by 19% to 1.5 million tons, which is similar to the 15-year average for Africa and represents 7% of global cotton production. Total cotton mill use in Africa was stable at 380,000 tons, or 2% of world cotton mill use. However, exports from Africa increased by 4% to 1.3 million tons, accounting for 16% of world exports in 2016/17.



Northern Africa

Cotton production in **Egypt** has been on a long downward trend since the early 1980s. After the price spike in 2011/12, area and production fell sharply in 2012/13 and 2013/14 because farmers preferred to plant other crops and the announcement of indicative cotton prices by the government of **Egypt** was delayed until the fall when planting had already been completed. High cotton prices at planting time and cash subsidies from the government encouraged farmers to plant more cotton in 2014/15. The planted area expanded by 29% to 158,000 hectares and production rose by 17% to 110,000 tons. However, area contracted by 34% to 105,000



hectares in 2015/16 due to uncertainty over returns under the new support policy and low prices received for cotton in the previous season, despite the subsidies. In 2015, the Egyptian government ended cash subsidies to farmers and spinners and required farmers to enter contracts with third parties, such as spinning companies in order to receive seeds and other subsidized inputs. Cotton production in 2015/16 fell by 51% to 55,000 tons. In 2016/17, cotton area reached a record low, contracting by 47% to 55,000 hectares as the lack of government support and lower prices compared to competing crops, particularly rice, discouraged farmers from planting cotton. However, the average yield improved by 32% to 694 kg/ha, though still below the 10-year average of 785 kg/ha, due to more favorable weather. As a result, production declined by 30% to 38,000 tons, the lowest volume on record.

Exports were stable at 26,000 tons despite the smaller crop. The depreciation of the Egyptian pound against the U.S. dollar and claims made by some retailers that products were falsely labeled as containing 100% Egyptian cotton helped to boost demand for Egyptian cotton. **Egypt** remains the largest African cotton consumer, though, like its production, cotton consumption in **Egypt** has been slowly declining from an average of 300,000 tons per season in the 1980s to less than 150,000 tons a season in the last five seasons. In 2016/17, mill use reached 127,000 tons, unchanged from 2015/16. One of the challenges for spinning mills in **Egypt** is the high price of domestically produced cotton, particularly after the government stopped providing subsidies to the spinning sector. Many spinners use imports, and **Egypt** was a net importer of cotton in seven of the last ten seasons, including 2016/17. Imports were 111,000 tons in 2016/17, up 21% from the previous season.

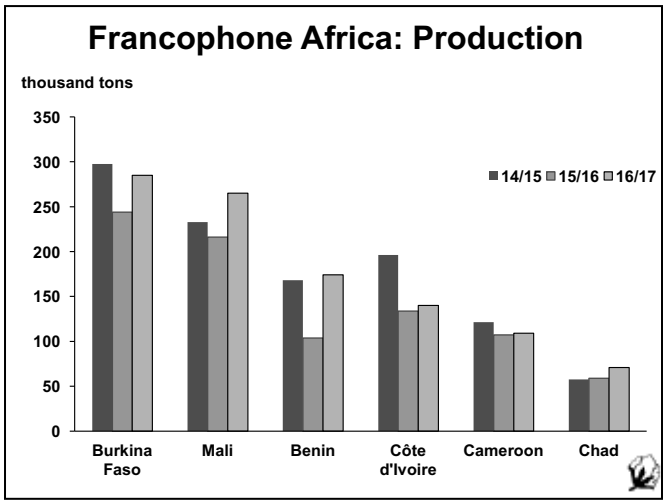
After dropping by 35% in 2015/16, cotton production in **Sudan** increased by 31% to 39,000 tons in 2016/17. The cotton area expanded by 40% to 70,000 hectares due to improved prices, good returns in the previous season and investment by Chinese firms in the cotton sector. However, the national average yield declined by 7% to 560 kg/ha, which remains well-above the

5-year average of 475 kg/ha. Increasing amounts of sediment in the country's irrigation infrastructure are a growing concern as much of the cotton crop is grown in this region and the sediment is impeding the flow of water to the crop. **Sudan**'s cotton exports fell by 3% to 3,000 tons in 2015/16. After reaching a low of 1,000 tons in 2009/10, cotton consumption recovered to 18,000 tons in 2012/13 and has remained at this level in the following seasons. Cotton exports from **Sudan** grew by 45% to 30,000 tons in 2016/17.

Francophone Africa[4]

Cotton production in Francophone Africa rose from 500,000 tons in 2010/11 to 1.1 million tons in 2014/15 as the area under cotton in the region expanded and yields improved. However, in 2015/16, the lack of timely rains across the region prevented plantings, which led to the cotton area contracting by 2% to 2.7 million hectares, which is still above the 10-year average of two million hectares. The average yield for the region declined by 12% to 370 kg/ha due to adverse weather throughout the season, including drought conditions at the start and, in several countries, excessive rains late in the season just before harvesting. Several countries in the region raised the price paid to producers in 2016/17 to encourage farmers to plant cotton after the poor returns in 2015/16. As a result, cotton area in Francophone Africa expanded by 9% to 2.9 million hectares, which is the highest on record. Improved weather this season raised the region's average yield by 11% to 383 kg/ha, and production increased by 21% to 1.1 million tons. Cotton mill use in Francophone African countries remains small and has been stable at 17,000 tons for the last four seasons, accounting for around 2% of local production. Given the larger crop in 2016/17, cotton exports from the region grew by 4% to 1 million tons, representing around 13% of global exports.

Burkina Faso was again the largest producer in Francophone Africa in 2016/17, after reclaiming that title in 2012/13, and was the tenth largest producer globally. The government raised the price of seedcotton of first quality from 235 CFA/kg in 2015/16 to 245 CFA/kg in 2016/17 in order to encourage farmers to plant cotton rather than competing crops. In 2015/16, **Burkina Faso** decided to reduce the area planted with biotech cotton due to concerns over fiber length and planted only conventional cotton in 2016/17. To further encourage farmers to plant cotton, the government ensured the timely arrival of good quality inputs and payments to farmers. As a result, cotton area increased by 12% to 740,000 hectares, which is the highest on record. Beneficial weather throughout the season raised the average yield from 368 kg/ha in 2015/16 to 385 kg/ha in 2016/17. Production grew by 17% to 285,000 tons. **Burkina Faso** consumes around 4,000 tons of cotton every year, which leaves a sizable surplus available for export. Despite the rise in production, cotton exports fell by 9% to 247,000 tons due to lower demand by some of its larger buyers such as **Turkey**.



Seedcotton prices announced just ahead of planting were increased from 238 CFA/kg in 2015/16 to 250 CFA/kg in 2016/17, and the cotton area in **Mali** expanded by 14% at 656,000 hectares. Beneficial weather caused the average yield to rise by 7% to 404 kg/ha in 2016/17, which is in line with the 15-year average. As a result, production in **Mali** increased by 23% to 265,000 tons, which is a new record. **Mali** is the second largest grower in **Africa** and eleventh globally. Mill use in **Mali** is limited, averaging around 3,000 tons per year, and the majority of its production is therefore exported. In 2016/17, exports increased by 22% to 240,000 tons in 2016/17 due to strong global demand towards the end of the season. This was the largest volume since 2005/06.

Despite maintaining area under cotton, production in 2015/16 in **Côte d'Ivoire** declined by 32% to 134,000 tons as the average yield fell to 333 kg/ha. The poor returns and low yields in 2015/16 discouraged farms from planting cotton in 2016/17. Area contracted by 15% to 343,000 hectares despite an increase in the price paid to producers from 225 CFA/kg to 265 CFA/kg. Beneficial weather this season however, led to a 23% increase in the average yield to 408 kg/ha. As a result, production rose by 5% to 140,000 tons, which represents 13% of all cotton produced in Francophone Africa. Around 2,000 tons are consumed locally each year, which leaves a sizeable surplus available for export. In 2016/17, exports from **Côte d'Ivoire** are estimated at 138,000 tons.

Although the price for seedcotton was maintained at 260 CFA kg/ha, the cotton area in Benin expanded by 36% to 418,000 hectares. At the start of the season, the government took over control of the sector in April and May 2016, which included paying off debts to producers, ginners and companies that

4) Francophone Africa includes Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Guinea, Madagascar, Mali, Niger, Senegal and Togo.

transport cotton domestically. The timely payments and sufficient rainfall during planting encouraged farmers to expand cotton area. The average yield rose by 23% to 416 kg/ha due to beneficial weather and greater availability of inputs. As a result, production reached record level of 174,000 tons in 2016/17. As Benin consumes only 4,000 tons of cotton per year, the vast majority of its crop is exported. Cotton exports from Benin increased by 48% to 159,000 tons in 2016/17.

In 2016/17, producer prices in **Cameroon** remained unchanged from the last two seasons at 265 CFA/kg. As a result, area remained stable at 223,000 hectares. **Cameroon**'s average yield is the third highest in sub-Saharan Africa. Beneficial weather and an improved ginning outturn led to a slight increase in the average yield, which is estimated at 488 kg/ha in 2016/17. Production increased by 2,000 tons to 109,000 tons. As **Cameroon** only consumes around 2,000 tons a season, the vast majority of its crop is exported. Cotton exports from **Cameroon** grew by 5,000 tons to 115,000 tons in 2016/17.

Seedcotton prices in **Togo**, which had increased by 15% in 2013/14 to 230 CFA francs/kg, have remained unchanged in the following three seasons. The Nouvelle Société Cotonnière du Togo launched a program to reward the best producers and supervisors in each prefecture in order to encourage production. Rewards for the 2014/15 season were given out in May 2016, which has encouraged farmers to expand plantings. In 2016/17, cotton area grew by 14% to 133,000 hectares. After falling by 26% to 267 kg/ha in 2015/16, the average yield recovered by 10% to 293 kg/ha in 2016/17 due to improved weather. However, the average yield remains below the levels observed 15 to 20 years ago, when it reached around 450 kg/ha. Production in **Togo** rose by 25% to 39,000 tons. Exports increased from 32,000 tons in 2015/16 to 38,000 tons in 2016/17 due to the larger crop.

Cotton area in **Chad** was largely unchanged at 295,000 hectares as seedcotton prices remained stable in 2016/17. After declining by 10% in 2015/16, the average yield increased by 17% to 239 kg/ha due largely to plentiful rainfall and improved weather. As a result, production increased by 20% to 71,000 tons. As only 1,000 tons of cotton is consumed domestically every year, most of the crop is exported. However, exports fell by 25% to 42,000 tons due to difficulties with financing by the state-owned ginning company this season.

Cotton area in Senegal contracted from 31,000 hectares in 2015/16 to 20,000 hectares in 2016/17. Poor returns in 2015/16 as yields fell and better prices for competing crops like peanuts discouraged farmers from planting. The average yield improved by 48% to 355 kg/ha due to better rainfall and the timely arrival of agricultural inputs. As a result, production remained stable at 7,000 tons in 2016/17. Senegal's consumption remains unchanged from 2015/16 at 1,000 tons, but exports fell to 5,000 tons.

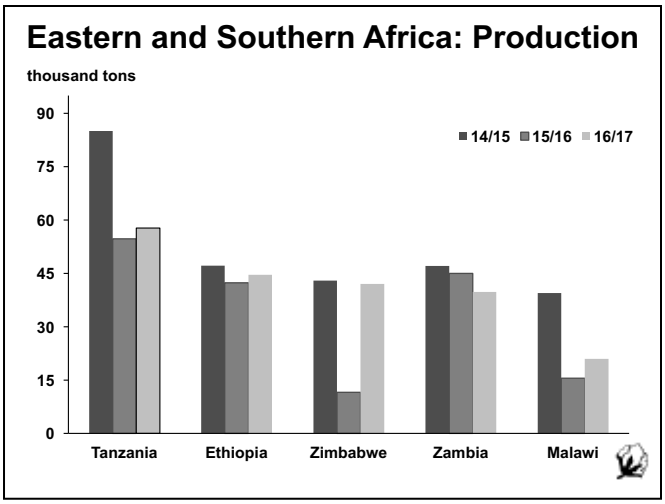
Cotton production in Nigeria is estimated at 51,000 tons and area at 253,000 hectares in 2016/17, essentially unchanged from 2015/16. Many farmers have switched to other crops that provide better returns, particularly as the average yield for cotton has been static and well below the world average yield. This is due in part to the insufficient quantity and quality of cotton seed. In 2016/17, the average yield is estimated at 202 kg/ha. The Nigerian textile industry has been affected by high production costs for yarn and competition from imports. Frequent electricity shortages have also undermined cotton mill use. Nigeria's mill use reached 25,000 tons in 2016/17. In contrast, mill use a decade ago averaged around 60,000 tons a season.

Production Grows in Eastern and Southern Africa

Cotton production in Eastern and Southern African countries grew by 28% to 288,000 tons in 2016/17 after falling by 30% to 225,000 tons in 2015/16. Higher prices encouraged farmers across the region to plant cotton, and the area under cotton expanded by 16% to 1.1 million hectares. However, it remains below the 10-year average of 1.4 million hectares. Beneficial weather and better availability of inputs for some countries affected the regional average yield, which rose by 10% to 271 kg/ha. Cotton mill use increased from 157,000 tons in 2015/16 to 163,000 tons in 2016/17 with limited growth occurring in a number of countries across the region. Cotton imports were unchanged at 59,000 tons. Due to the rise in production, cotton exports from East and Southern African countries, including intra-regional shipments, rose by 10% from the previous season, reaching 200,000 tons in 2016/17.

In 2012/13, when cotton lint output reached 90,000 tons, **Tanzania** passed **Zimbabwe** as the largest producer in the region and has remained in that position since then. Farmers were more enthusiastic about planting cotton in 2016/17, due to higher prices. The planted area increased by 5% to 331,000 hectares. The average yield was essentially unchanged at 175 kg/ha due to hot and dry weather during the growing season similar to last year. Production increased from 55,000 tons in 2015/16 to 58,000 tons in 2016/17. **Tanzania**'s cotton consumption and exports remained stable at 39,000 tons and 38,000 tons, respectively.

In 2016/17, cotton production in Ethiopia increased slightly to 45,000 tons, up by 5% from the previous season. However, Ethiopia was the second largest producer in the region. The area under cotton expanded to 105,000 hectares in 2016/17 from 66,000 hectares in 2015/16 due to expectations of better returns. However, the average yield fell by 34% to 423 kg/ha. This is due largely to the fact that cotton area in 2015/16 was limited to land with the highest productivity level due to drought-like conditions during planting, but expanded to lower-yielding areas in 2016/17. Mill use rose by 10% to 55,000 tons, which is the seventh consecutive season of growth, due to the ongoing foreign direct investment into the textile sector including vertical integration. As cotton production has not kept up with demand, Ethiopia has been a net importer since 2011/12. Imports decreased from 13,000



tons in 2015/16 to 11,000 tons in 2016/17 due to the larger volume of production.

In 2015, the government of **Zimbabwe** introduced a 3-year plan to provide free inputs to cotton farmers, which has encouraged farmers to plant cotton. However, for a number of farmers the inputs arrived long after the planting season in 2015, which resulted in a number of farmers using these inputs, particularly cotton seed, in 2016/17 instead. Given the additional supply of cotton seed, free inputs, and timely rain, cotton area increased by 53% to 155,000 hectares in 2016/17. The average yield more than doubled from 114 kg/ha to 271 kg/ha as more farmers were able to use the free inputs in a timely manner and weather was generally much better compared to 2015/16. As a result, cotton production more than tripled to 42,000 tons, and **Zimbabwe** passed Zambia to become the region's third largest producer in 2016/17. However, its production still remains below the average volume of cotton grown during the 2000s of around 100,000 tons. **Zimbabwe**'s cotton mill use is estimated at around 3,000 tons, unchanged from 2015/16. While **Zimbabwe** has a much larger crop in 2016/17, not all of it will be available for shipment until after the end of 2016/17. As a result, exports from **Zimbabwe** fell by 11% to 24,000 tons.

Zambia was fourth largest producer in the region in 2016/17. The area under cotton was relatively unchanged at 120,000 hectares in 2016/17. The late arrival of rain during planting and cooler temperatures than average during the growing period led to a 15% decline in yield, which averaged 332 kg/ha in 2016/17. As a result, production fell by 14% to 40,000 tons. Mill use in Zambia remains unchanged from 2015/16 at 2,000 tons. Given that Zambia does not consume much of the cotton it produces, the majority of output is exported, with much of it exported during the next crop season. In 2016/17, exports from Zambia were of a similar volume to 2015/16 at 44,000 tons.

After two seasons of decline, cotton area in **Mozambique** expanded by 14% to 116,000 hectares as increased cotton prices encouraged farmers to plant. The average yield greatly improved, rising from 150kg/ha in 2015/16 to 263 kg/ha in 2016/17 due to recovery from the drought. As a result, production doubled to 31,000 tons, which is the same volume as in 2013/14. As no cotton is consumed locally, all production is exported. Exports from **Mozambique** are estimated at 37,000 tons in 2016/17, including crop remaining from last season.

The cotton area in **Uganda** is estimated at 72,000 hectares in 2016/17, up from 65,000 hectares in the previous season due to improved prices and greater government support. Additionally, a variety with a shorter growing period has become more widely available, which encouraged farmers to return to cotton. The average yield increased by 24% to 388 kg/ha as a result of beneficial weather. As a result, production grew by 37% to 28,000 tons. Nearly all of **Uganda**'s production is exported and exports are estimated to have risen by 61% to 32,000 tons in 2016/17, which includes remnants from the 2015/16 crop. Around 900 tons was consumed locally.

After four seasons of contraction, Malawi's cotton area stabilized in 2016/17 at 90,000 hectares. Although the minimum purchase price was considered good for farmers in 2015/16, many gins were unwilling to buy cotton at the price discouraging farmers from expanding cotton area in 2016/17. While the average yield recovered by 37% to 237 kg/ha, it remains well-below the 20-year average of 300 kg/ha. Pest pressure and unfavorable weather negatively impacted yields. Additionally, after having incurred losses in previous seasons many gins were unwilling to extend loans to farmers to purchase inputs, which also contributed to the low yields. Production in 2016/17 is estimated at 21,000 tons. Consumption in Malawi has remained stable at 3,000 tons a year since 2010/11. As a result, most of its cotton is exported, and mainly to neighboring countries. In 2016/17, exports reached 16,000 tons.

The area under cotton in **South Africa** doubled to 17,700 hectares in 2016/17, as farmers were encouraged to return to cotton given higher prices for cotton in comparison with competing crops. However, much of the increase occurred in dryland areas, and the average yield declined by 30% to 850 kg/ha. The successful implementation of stripper harvester technology demonstrated under the government's cotton cluster encouraged the expansion of cotton area into dryland areas. Cotton production in **South Africa** rose by 49% to 15,100 tons in 2016/17. Cotton mill use in **South Africa** was relatively unchanged from last season, reaching 21,600 tons in 2016/17, which is less than half of what was consumed a decade ago. Competition from imports and high labor costs have made **South Africa**'s textile industry, including cotton, less competitive. Given the rise in production, **South Africa**'s imports declined by half to 9,000 tons, though exports also fell by 47% to 7,400 tons.

Cotton area and production in **Kenya** has been fairly stable in the last 20 years averaging 31,000 hectares and 5,000 tons per year. In 2016/17, cotton area is estimated at 29,000

hectares from the previous season. With an average yield of 183 kg/ha, production reached 5,200 tons. Erratic rainfall, poor management practices and the high cost of inputs all contribute to the low yield. The government of **Kenya**, through its Fibre Crops Directorate, continues its initiatives to expand production and improve yields by increasing production of certified seeds, increasing access to subsidized agricultural inputs and expanding irrigation schemes. Nearly all of **Kenya**'s cotton production is used by the domestic spinning industry, which has four active spinning mills that consumed around 8,000 tons in 2016/17, up by 1,000 tons from last season. The government is currently focused on backward integration given **Kenya**'s growing textile sector. In addition, they are working with **India** to train workers on modern hand looms to boost rural employment. **Kenya** is a net importer of cotton as its current production does not meet domestic demand. In 2016/17, **Kenya** imported 3,000 tons of cotton.

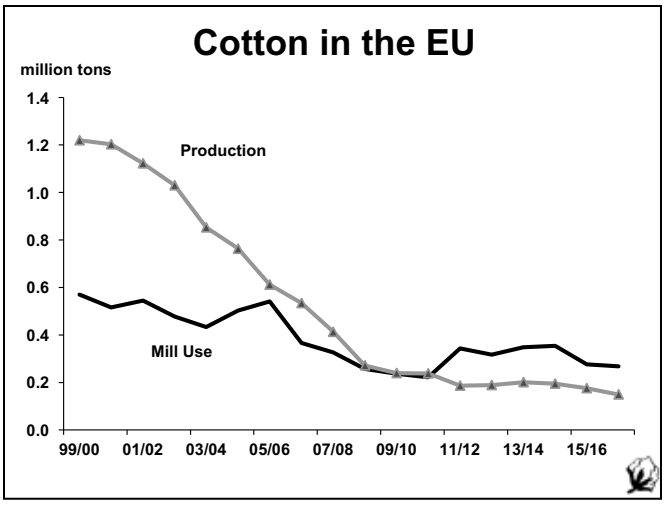
Europe: Declines in Cotton Production and Mill Use

In the **European Union** (28 countries), cotton is produced in Greece and Spain. Cotton growers in Greece and Spain obtain assistance through the Common Agricultural Policy of the **European Union**. European cotton area contracted by 11% to 273,000 hectares in 2016/17, which is the second season of decline. The average yield increased by 9% to 982 kg/ha, due to beneficial weather. Production decreased by 3% to 268,000 tons.

In 2016/17, the area under cotton in Greece decreased by 12% to 211,000 hectares as farmers were discouraged from poor returns resulting from low yields in 2015/16. However, the average yield improved by 11% to 1.010 kg/ha due to beneficial weather and limited the loss in production. As a result, production decreased by 2% to 213,000 tons. Greece's cotton mill use has remained stable at around 20,000 tons over the last few seasons. Exports are estimated at 220,000 tons, up by 10% from the previous season due to larger exportable surplus. **Turkey**, Indonesia, **Egypt,** Vietnam, China and **Bangladesh** were major destinations of exports in 2016/17.

The area under cotton in Spain declined slightly to 61,000 hectares in 2016/17 from 63,000 hectares in the previous season. Excessive rains during planting delayed sowing and flooded some areas that were not replanted. The average yield was stable at 903 kg/ha, and production declined by 5% to 55,000 tons. After a 40% drop in 2011/12, Spain's consumption has continued to steadily decrease, though at a slower rate. In 2016/17, its mill use reached 5,000 tons. As a result, the bulk of its domestic crop is exported to **Turkey** as its main destination, representing around half of all exports in 2016/17. Exports from Spain are estimated at 56,000 tons in 2016/17, similar to last season's volume of exports.

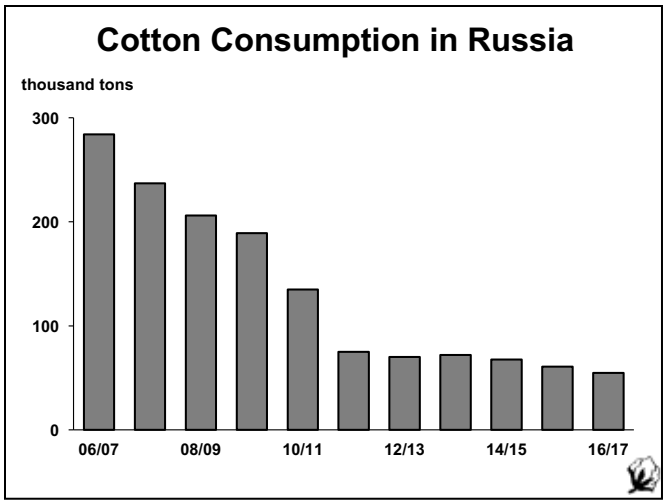
Cotton consumption in the **EU** has declined steadily since 1995/96 when the phase out of the Multi-Fiber Arrangement began (the phase out was completed at the end of 2004), despite a slight recovery in 2012/13 and 2013/14. In the 1990s, **EU** cotton consumption averaged 1.4 million tons per season, but by 2016/17 mill use had dropped to 176,000 tons, still a significant amount. The ongoing European financial crisis and ensuing economic slowdown greatly affected end-use consumption of cotton and cotton textile products in the region. Cotton mill use contracted in most countries in the **EU-28**. Four countries (Portugal, Italy, Germany, and Greece) accounted for 75% of cotton mill use in the **EU-28** in 2016/17.

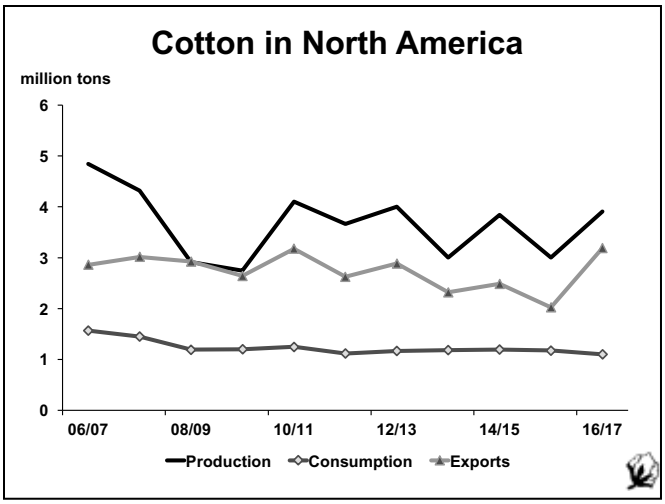


In 2016/17, Portugal's mill use reached just 34,000 tons which is less than a third of its volume 15 years ago. However, it was the largest consumer in 2016/17, accounting for 23% of total mill use in the **EU-28**. Italy was the second largest cotton consumer in the **EU-28**, accounting for 22% of **EU** mill use. In 2016/17, cotton mill use in Italy is estimated at 33,000 tons, down from 37,000 tons in 2015/16. In Germany, the third largest consumer and accounting for 16% of **EU** consumption, cotton mill use was reduced by 38% to 24,000 tons.

Cotton mill use in France has declined significantly in the last 20 years. France's mill use in 2016/17 is estimated at 9,000 tons, which compares to 112,000 tons in 1996/97. Cotton consumption in France has been focused on technical textiles and other specialized products. In Belgium, cotton consumption was minimal in 2016/17, reaching 3,400 tons. Belgium re-exports around 50% of its cotton imports to other European countries. Austria's cotton consumption remained stable at 3,000 tons in 2016/17. Mill use in Poland has been relatively stable in the last five years, including 2016/17, averaging 3,000 tons a year. Cotton has been consumed mainly for use in the production of medical, hygienic and cosmetic products.

Cotton use in the United Kingdom has been minimal in the last 15 years, averaging less than 1,000 tons per year. While a new company, English Fine Cottons, has invested money recently into rebuilding an unused mill to spin long staple cotton, imports remained below 1,000 tons, estimated at 480 tons in 2016/17. The United Kingdom remains the location





of the International Cotton Association (ICA) and many companies servicing the cotton industry.

Cotton mill use in **Switzerland** has declined dramatically in the last few decades. **Switzerland** is host to many organizations servicing the cotton industry, including merchants, controllers, and banks. In addition, **Switzerland** provides financing for numerous cotton-specific development projects in Africa.

Cotton mill use in **Russia** has experienced year-on-year contractions since 2005/06, with the exception of 2013/14 when it increased by 2,000 tons. Mill use in **Russia** declined by 10% to 55,000 tons in 2016/17. The general economic slowdown and the depreciation of the ruble have contributed to the fall in cotton mill use. Since **Russia** doesn't produce cotton, its spinning sector relies on imports, but currency depreciation has made cotton imports more expensive. As a result, imports decreased by 3% to 51,000 tons in 2016/17.

Cotton Production Rises Sharply in North America

Nearly all of the cotton produced in North America comes from the **United States** and Mexico. Cotton production in North America has alternated between growth and contraction from season to season depending largely on international cotton prices. After a 22% decrease in production to 3 million tons in 2015/16, production rose by 30% to 3.9 million tons in 2016/17. Area expanded by 16% to 4 million hectares, and the average yield improved by 12% to 985 kg/ha. After three seasons of growth, cotton consumption in North America declined by 2% to 1.2 million tons in 2015/16 and by 6% to 1.1 million tons in 2016/17.

In 2016/17, improved weather during planting and more favorable prices for cotton compared to prices for competing crops encouraged farmers to expand planted area by 17% to 4.1 million hectares. Plentiful rain throughout the growing season reduced the abandonment rate to 5.5%, which is the lowest level since 2010/11. As a result, harvested cotton area in 2016/17 is estimated at 3.8 million hectares, up by 18% from 2015/16.

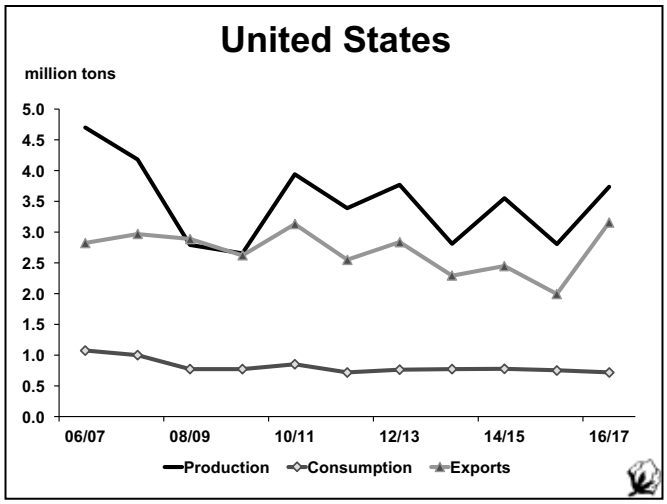
The average cotton yield increased by 13%, to 971 kg/ha, and cotton production rose by 33%, to 3.7 million tons in 2016/17 following a 21% decrease in 2015/16. Beneficial rainfall during the growing season kept abandonment low and raised the average yield. Upland cotton production jumped by 32% to 3.6 million tons, and Pima output recovered by 29% to 121,000 tons, after a decline of 24% to 94,000 tons in 2015/16.

The current level is a third of the peak mill use of 2.4 million tons registered in 1997/98. After reaching a low point of 715,000 tons in 2011/12, mill use increased to 760,000 tons in 2012/13 and has remained around that level in recent seasons. In 2016/17, U.S. cotton mill use remained stable at 750,000 tons. In 2015/16, the **United States** became the seventh largest consumer of raw cotton, as mill use in **Brazil** declined. The U.S. remained the seventh largest user of cotton in 2016/17.

The **United States** is the largest exporter of cotton, and the share of the **United States** in global exports rose from 26% in 2015/16 to 40% in 2016/17. Given the larger exportable surplus in 2016/17 and strong global demand, cotton exports from the **United States** increased by 58% to 3.2 million tons in 2016/17. The top U.S. cotton export destinations in 2016/17 were Vietnam, China, **Turkey**, and Indonesia. The **United States**' cotton stocks at the end of July 2017 are estimated at 700,000 tons, down by 16% from the previous season.

In 2016/17, cotton area in Mexico decreased by 20% to 104,000 hectares, the lowest since 2009/10. The need to rotate crops coupled with higher input costs led to the decline in area. However, the national average yield grew by 4% to 1,590 kg/ha, due to beneficial weather and a reduction in pest pressure. Production declined by 16% to 166,000 tons.

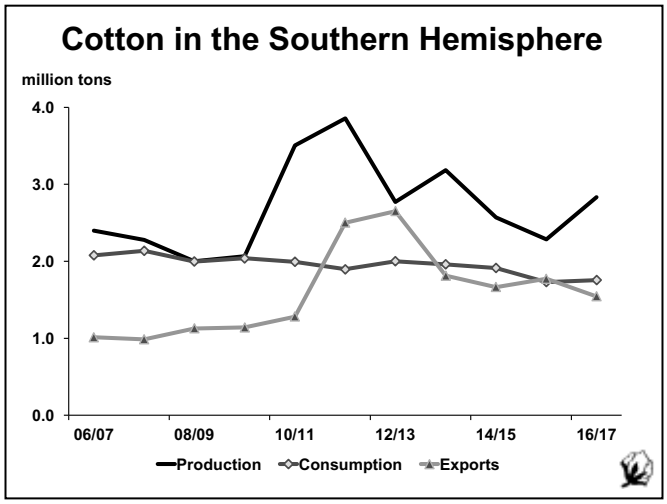
Cotton mill use in Mexico declined from 415,000 tons in 2015/16 to 385,000 tons in 2016/17 as limited supplies increased prices and lowered demand. Mexico's imports remained stable at 230,000 tons as the limited availability of domestic cotton was offset by reduced demand. Nearly all of Mexico's imports come from the **United States**, but Mexico also purchased small volumes from **Egypt** in 2016/17. Exports from Mexico remained relatively stable at 33,000 tons in 2016/17.



Mill consumption in Central America occurs mainly in El Salvador and Guatemala. They are both countries that no longer produce cotton, and instead rely on imports mostly from the **United States** as well as some shipments from Mexico. In Guatemala, mill use increased to 26,000 tons in 2016/17, up by 2,000 tons from 2015/16. However, mill use in El Salvador declined to 34,000 tons in 2016/17 from 37,000 tons in 2015/16.

Cotton Production Grows in the Southern Hemisphere

In 2016/17 (for consistency, statistics in the Southern Hemisphere are reported on the same August/July crop year basis as is used for the Northern Hemisphere), production in the Southern Hemisphere increased by 24% to 2.8 million tons, accounting for 12% of global production. Cotton area in the Southern Hemisphere expanded by 9% to 2.6 million hectares while the average yield improved by 13% to 1,097 kg/ha. Production and yields increased in most of the countries in the Southern Hemisphere. **Brazil,** where production rose by 15% to 1.5 million tons, remains the largest producer in the Southern Hemisphere, accounting for half of the total.

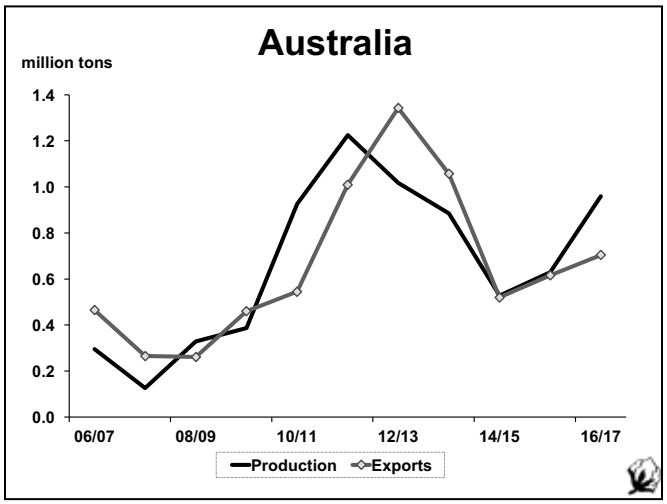


Australia, where production increased by 53% to 960,000 tons of cotton, accounted for one-third of production in the Southern Hemisphere.

Second Season of Production Growth in Australia

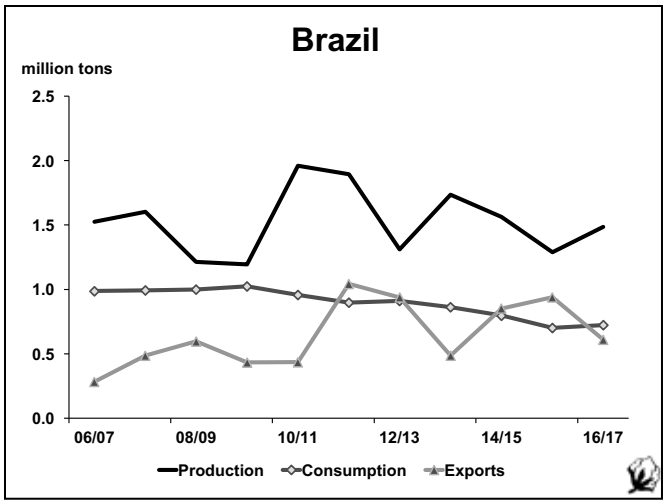
After contracting by 50% in 2014/15, the cotton area in **Australia** went up 37% to 270,000 hectares in 2015/16. High prices and sufficient supplies of irrigation water encouraged farmers to expand cotton area in 2016/17, which more than doubled to 557,000 hectares. However, the average yield fell by 26% to 1,722kg/ha as much of the expansion in cotton area extended to the lower-yielding dryland areas. Cotton production increased by 53% to 960,000 tons in 2016/17. Around 62% of total production occurred in New South Wales, while the remainder was produced in Queensland. **Australia** was the sixth largest cotton producer in 2016/17.

After three seasons of export volumes over one million tons, export shipments during 2014/15 fell to 520,000 tons due to weak demand amid falling cotton prices. In 2015/16, cotton exports increased by 8% to 616,000 tons due to strong demand. In 2016/17, exports increased by 22% to 754,000 tons due to the significantly larger crop. China remains the largest buyer of **Australian** cotton in 2016/17 followed by **India**, **Bangladesh**, Vietnam, and Indonesia. **Australia** moved from fourth largest exporter in 2015/16 to third largest in 2016/17, accounting for 22% of world exports.



Higher Cotton Production and Stable Consumption in South America

Poor returns in 2015/16 led to an 8% contraction in cotton area in South America, reaching 1.3 million hectares in 2016/17. However, the average yield for the region increased by 24% to a record 1,371 kg/ha and cotton production rose by 11% to 1.7 million tons. The boll weevil is now an established pest across all cotton-producing regions of South America, and this factor alone threatens the long term viability of cotton production on the continent. Cotton mill across South America was



unchanged from 2015/16 at 983,000 tons, and exports fell by 32% to 675,000 tons.

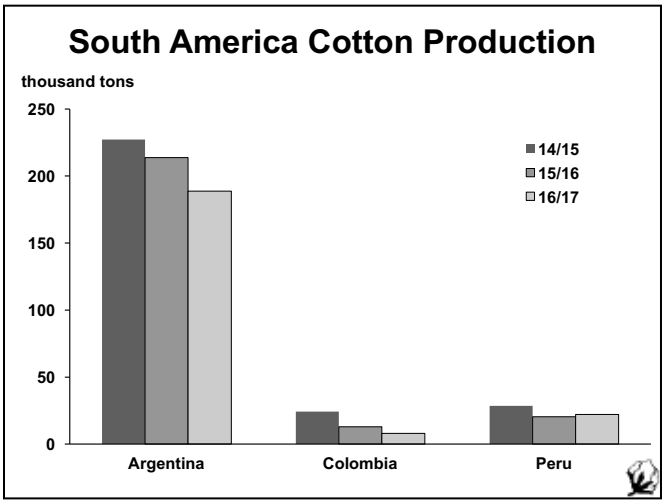
Brazil's cotton area decreased by 2% to 940,000 hectares in 2016/17, which is the third season of decline. Concerns over international prices potentially falling, poor returns in the previous season, and the high cost of production discouraged farmers from planting in some regions. The largest reduction occurred in the state of Bahia where area contracted from 235,000 hectares in 2015/16 to 202,000 hectares in 2016/17. Improved weather conditions and timely sowing increased the national average yield by 20% to 1,622 kg/ha, offsetting the losses in area and is the highest on record. As a result, production in **Brazil** rose by 18% to 1.5 million tons in 2016/17. Mato Gross remains the largest producing state, accounting for 67% of **Brazil**'s total volume while Bahia, the second largest, produced 22% of **Brazil's** production. **Brazil** has been the fifth largest producer of cotton since 2006/07, except 2010/11 when it was the fourth largest.

Cotton mill use in **Brazil** grew slightly from 700,000 tons in 2015/16 to 720,000 tons in 2016/17 recovering from three consecutive seasons of decline. The Brazilian Cotton Producers Association launched a national marketing campaign, "Sou de Algodão" ("I am made of cotton") in October 2016. Beginning in 2017, the campaign took actions like forming partnerships with brands and fashion stylists, creating projects with fashion universities and colleges, and reinforcing of digital media coverage. **Brazil** moved from seventh largest consumer of cotton in 2014/15 to eighth largest in 2015/16 and has maintained that rank in 2016/17.

Firm domestic prices and the strengthening of its currency in 2016/17 compared to 2015/16 made Brazilian exports less attractive to international buyers. As a result, exports from **Brazil** declined by 35% to 610,000 tons. Indonesia was the largest buyer of **Brazilian** cotton in 2016/17 followed by **Turkey**, Vietnam, **Korea** and **Bangladesh**. **Brazil** was the fourth largest exporter of cotton during 2016/17. Cotton imports more than doubled to 50,000 tons in 2016/17.

After a sharp increase in 2013/14, cotton area and production in **Argentina** declined in the next three seasons. In 2016/17, **Argentina**'s cotton area contracted by 34% to 247,000 hectares. Many farmers in **Argentina** have found that sunflowers offer better returns due to both better prices and lower costs of production. Additionally, sunflowers are considered to be much easier to grow than cotton. However, the average cotton yield rose by 33% to 764 kg/ha in 2016/17. Cotton area in Santiago del Estero has slowly expanded, and in 2016/17, this region had the largest area under cotton, accounting for 49% of total cotton area. It surpassed Chaco, the largest producing state in 2015/16 by approximately 25,000 hectares. Much of the cotton in Santiago del Estero is under irrigation, which greatly boosted yields. Additionally, the government has also provided funds to small farmers with less than 100 hectares in the form of credit loans to buy cotton seeds for planting, herbicides, insecticides, fertilizers, and diesel. Cotton mill use in **Argentina** is estimated at 141,000 tons in 2016/17, essentially unchanged from 2015/16. Since 2009/10, **Argentina** switched from being a net importer to a net exporter, and imports are estimated at 3,000 tons in 2016/17. Exports increased by 24% to 60,000 tons in 2016/17, with 70% of exports going to Indonesia, **Turkey**, Colombia, and Vietnam.

Cotton production in Colombia is estimated at 8,000 tons in 2016/17, 40% lower than in 2015/16. This is the third consecutive season of decline in cotton production, and the lowest volume of production since the 1940s. The planted area contracted by 51% to 9,000 hectares. The depreciation of the Colombian peso against the US dollar has made inputs, which are usually imported, more expensive, particularly as the government has significantly cut subsidies for the crop. Additionally, poor yields in 2015/16 and low prices led to poor returns for farmers, discouraging planting in 2016/17. Meanwhile, the national average yield increased by 26% to 930 kg/ha as a result of beneficial weather and plantings mainly in high productivity areas. After increasing by 5% in 2013/14, cotton mill use in Colombia has fallen in each of



the following seasons, declining by 10% to 43,000 tons in 2016/17 due to the high price of domestic cotton and high production costs. Imports are estimated at 28,000 tons, down 28% from the previous season, because of decreased mill use and large carryover stocks.

Cotton production in Peru is estimated at 22,000 tons in 2016/17, an increase of 2,000 tons from 2015/16. Cotton area in Peru remained stable at 27,000 hectares in 2016/17. However, the average yield rose by 8% to 814 kg/ha, which turns around the declining trend over the last three seasons. Peru also produces small quantities of extra-fine cotton, which is estimated at around 1,000 tons in 2016/17. Consumption is estimated at 57,000 tons in 2016/17, down by 8% from 2015/16. Given the decline in mill use, coupled with stable production, Peru's cotton imports decreased by 17% to 36,000 tons in 2016/17. Nearly all imported cotton comes from the **United States**.

Cotton area in Paraguay declined slightly to 10,000 hectares in 2016/17 as farmers anticipated better returns for competing crops like soybeans. Furthermore, the lack of quality seeds, ongoing pest pressure, the high cost of imported inputs due to an unfavorable exchange rate and lack of market access for small-scale farmers have also discouraged farmers from planting cotton in recent seasons. The average yield remained stable at 450 kg/ha, and production fell by 800 tons to 4,500 tons in 2016/17. Cotton mill use in Paraguay is estimated at 3,000 tons, while imports are around 1,200 tons in 2016/17. As the local industry does not absorb all of the domestic production, the remainder is exported. In 2016/17, cotton exports from Paraguay reached 3,000 tons.

NOTE:

The ICAC will not be publishing the September-October issue.

The next issue will be in December 2017.

2015/16 SUPPLY AND USE OF COTTON BY COUNTRY August 1, 2017

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	0	0	0	0	0.11	0.12
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1		0	0.47	0.47
MEXICO	130	1,523	198	190	222	418	31	161	0.36	0.38
USA	3,268	859	2,806	795	7	751	1,993	827	0.30	1.10
N. America	**3,407**	**882**	**3,006**	**986**	**233**	**1,175**	**2,024**	**990**	**0.31**	**0.84**
EL SALVADOR				10	36	37		9	0.25	0.25
GUATEMALA				8	23	24		7	0.29	0.29
HONDURAS	0	319	0	0		0		0		
C. America	**2**	**513**	**1**	**17**	**65**	**69**	**0**	**16**	**0.23**	**0.23**
ARGENTINA	372	575	214	289	4	144	48	313	1.63	2.17
BOLIVIA	4	625	3	2	1	3		2	0.70	0.70
BRAZIL	955	1,350	1,289	1,174	20	701	939	843	0.51	1.20
CHILE				0	0	0		0	0.12	0.12
COLOMBIA	17	739	13	13	39	45	1	19	0.41	0.42
ECUADOR	1	440	1	2	11	11		3	0.25	0.25
PARAGUAY	12	442	5	2	1	2	4	1	0.21	0.67
PERU	27	752	20	15	43	62	1	16	0.26	0.26
URUGUAY				0		0		0	0.58	0.58
VENEZUELA	15	406	6	5	3	10		4	0.43	0.43
S. America	**1,403**	**1,105**	**1,551**	**1,503**	**121**	**979**	**994**	**1,202**	**0.61**	**1.23**
ALGERIA				1	3	3		1	0.23	0.23
EGYPT	105	525	55	90	92	128	28	80	0.51	0.63
MOROCCO				6	14	16		4	0.22	0.22
SUDAN	50	600	30	28		19	20	20	0.52	1.06
TUNISIA				3	13	13		3	0.21	0.21
N. Africa	**155**	**549**	**85**	**127**	**122**	**179**	**48**	**107**	**0.47**	**0.60**
BENIN	307	338	104	67		4	108	58	0.52	14.62
BURKINA FASO	663	368	244	157		4	275	122	0.44	30.50
CAMEROON	222	482	107	69		2	110	64	0.58	33.89
CENT. AFR. REP.	32	192	6	3			7	2	0.36	
CHAD	289	203	59	23		1	58	23	0.39	46.01
COTE D'IVOIRE	402	333	134	57		2	142	47	0.33	22.84
GUINEA	12	273	3	1			3	1	0.41	
MADAGASCAR				3				3		
MALI	573	377	216	112		3	221	104	0.46	34.56
NIGER	5	448	2	0		1	1	0	0.11	0.25
SENEGAL	31	239	7	2		1	8	1	0.18	1.88
TOGO	117	267	31	13			32	12	0.39	
F. Africa	**2,653**	**344**	**914**	**507**		**17**	**964**	**440**	**0.45**	**25.57**
ANGOLA	3	302	1	0		1	0	0	0.35	0.48
ETHIOPIA	66	642	42	13	13	50	0	19	0.37	0.37
GHANA	15	373	6	2		1	5	1	0.24	1.11
KENYA	29	181	5	1	2	7		2	0.28	0.28
MALAWI	90	173	16	24		3	26	10	0.35	3.40
MOZAMBIQUE	101	150	15	22		1	10	26	2.52	
NIGERIA	253	205	52	29	1	23	37	22	0.36	0.96
SOUTH AFRICA	8	1,208	10	18	16	21	14	9	0.27	0.46
TANZANIA	315	174	55	95		39	38	73	0.95	1.88
UGANDA	65	314	20	21		0	20	21	1.05	49.10
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	114	394	45	42		2	46	40	0.85	
ZIMBABWE	101	114	12	25		3	27	7	0.22	2.33
S. Africa	**1,181**	**239**	**282**	**300**	**61**	**181**	**223**	**239**	**0.59**	**1.32**
KAZAKHSTAN	99	453	45	22	0	14	40	13	0.23	0.90
KYRGYZSTAN	14	810	12	6	4	1	16	4	0.23	4.19
TAJIKISTAN	170	507	86	30		9	79	27	0.31	2.88
TURKMENISTAN	545	541	295	189		137	273	74	0.18	0.54
UZBEKISTAN	1,298	641	832	264	1	355	500	242	0.28	0.68
C. Asia	**2,126**	**597**	**1,270**	**511**	**5**	**517**	**909**	**360**	**1.24**	**0.70**

2015/16 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) August 1, 2017

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	4	3	1	0	0.12	0.15
AZERBAIJAN	19	695	13	16		15	5	9	0.47	0.64
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				2	11	7	4	2	0.16	0.25
BULGARIA	2	324	1	0	5	5	0	1	0.20	0.20
CZECH REP.				0	3	3		0	0.13	0.13
DENMARK					0	0				
ESTONIA										
FINLAND										
FRANCE				3	12	10	3	2	0.14	0.18
GERMANY				10	44	38	7	9	0.20	0.24
GREECE	240	908	218	48	6	20	209	44	0.19	2.18
HUNGARY				0	1		1	0	0.17	
IRELAND				0	0	0	0	0	0.13	0.16
ITALY				7	40	37	2	7	0.17	0.18
LATVIA				0	1	1	0	0	0.09	0.10
LITHUANIA				0				0		
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				0	4	4		0	0.10	
NORWAY										
POLAND				0	3	3	0	0	0.12	0.12
PORTUGAL				7	38	37	0	7	0.19	0.19
ROMANIA				0	0	0	0	0	0.08	0.09
RUSSIA	1	521	1	24	52	61	0	16	0.27	0.27
SLOVAK REP.										
SPAIN	63	910	58	25	3	5	57	23	0.37	4.41
SWEDEN				0	0	0		0		
SWITZERLAND				0	3	3	0	0	0.10	0.10
UKRAINE				0	2	2		0	0.23	0.23
UNITED KINGDOM				0	0	0	0	0	0.12	0.15
FORMER YUGOSLAVIA				1	7	7		1	0.19	0.19
Europe	**327**	**888**	**290**	**152**	**255**	**278**	**289**	**130**	**0.23**	**0.47**
Including EU-28	**306**	**904**	**276**	**105**	**176**	**176**	**284**	**97**	**0.21**	**0.55**
CHINA	3,413	1,524	5,200	14,118	959	7,600	28	12,650	1.66	1.66
TAIWAN				49	154	161		41	0.26	0.26
HONG KONG				33	0		1	33	62.96	
Sub total	**3,413**	**1,524**	**5,200**	**14,200**	**1,114**	**7,761**	**28**	**12,724**	**1.63**	**1.64**
AUSTRALIA	270	2,330	629	181		7	616	187	0.30	26.61
INDONESIA	8	603	5	107	640	654	3	96	0.15	0.15
JAPAN				16	67	67		16	0.23	0.23
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				68	256	269	1	54	0.20	0.20
MALAYSIA				12	96	61	31	17	0.19	0.28
PHILIPPINES	0	569	0	3	10	10		3	0.30	0.30
SINGAPORE				0	9		9	0	0.04	
THAILAND	2	518	1	44	278	278	0	46	0.16	0.16
VIETNAM	5	460	2	154	1,001	1,007		151	0.15	0.15
E. Asia	**305**	**2,116**	**645**	**591**	**2,363**	**2,366**	**660**	**573**	**0.19**	**0.24**
AFGHANISTAN	35	400	14	5		4	10	5	0.37	1.20
BANGLADESH	43	652	28	257	1,378	1,316		346	0.26	0.26
INDIA	11,877	484	5,746	2,081	234	5,296	1,258	1,507	0.23	0.28
MYANMAR	239	653	156	104	51	207		104	0.50	0.50
PAKISTAN	2,902	530	1,537	779	585	2,147	50	704	0.32	0.33
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	**15,099**	**496**	**7,484**	**3,227**	**2,249**	**8,975**	**1,317**	**2,667**	**0.26**	**0.30**
IRAN	72	687	49	29	51	100		30	0.30	0.30
IRAQ	17	362	6	1	5	10		2	0.21	0.21
ISRAEL	9	1,891	17	1			17	2	0.11	
SYRIA	44	879	39	68		60	25	22	0.27	0.38
TURKEY	434	1,475	640	818	918	1,500	50	826	0.53	0.55
Sub total	**592**	**1,281**	**757**	**922**	**984**	**1,685**	**93**	**886**	**0.50**	0.53
WORLD TOTAL	**30,662**	**701**	**21,484**	**23,043**	**7,571**	**24,183**	**7,549**	**20,333**	**0.84**	**0.84**

*/ Ending stocks divided by consumption plus exports.
**/ Ending stocks divided by consumption.
Subtotals and total include countries not shown.

2016/17 SUPPLY AND USE OF COTTON BY COUNTRY August 1, 2017

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	0	0		0	0.11	0.11
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1		0	0.47	0.47
MEXICO	104	1,590	166	161	230	376	33	148	0.36	0.39
USA	3,848	971	3,738	827	2	718	3,157	697	0.18	0.97
N. America	**3,961**	**986**	**3,907**	**990**	**236**	**1,100**	**3,190**	**846**	**0.20**	**0.77**
EL SALVADOR				9	34	34		9	0.27	0.27
GUATEMALA				7	26	26		7	0.27	0.27
HONDURAS	0	318	0	0		0		0		
C. America	**2**	**512**	**1**	**16**	**60**	**61**	**0**	**16**	**0.27**	**0.27**
ARGENTINA	247	764	189	313	3	141	60	304	1.51	2.15
BOLIVIA	4	639	3	2	0	3	0	2	0.50	0.53
BRAZIL	939	1,580	1,485	843	50	722	610	1,045	0.78	1.45
CHILE				0	0	0		0	0.12	0.12
COLOMBIA	9	930	8	19	14	34		7	0.21	0.21
ECUADOR	1	439	1	3	10	11		3	0.25	0.25
PARAGUAY	10	450	5	1	1	3	3	1	0.22	0.44
PERU	27	814	22	16	36	57	1	16	0.28	0.28
URUGUAY				0		0		0	0.06	0.06
VENEZUELA	15	390	6	4	4	10		3	0.30	0.30
S. America	**1,252**	**1,371**	**1,717**	**1,202**	**119**	**983**	**674**	**1,381**	**0.83**	**1.41**
ALGERIA				1	2	2		1	0.23	0.23
EGYPT	55	694	38	80	111	127	26	77	0.50	0.61
MOROCCO				4	15	15		4	0.24	0.24
SUDAN	70	561	39	20		18	28	14	0.31	0.78
TUNISIA				3	12	12		3	0.22	0.22
N. Africa	**125**	**620**	**78**	**107**	**141**	**174**	**54**	**98**	**0.43**	**0.56**
BENIN	418	416	174	58		4	142	87	0.60	21.78
BURKINA FASO	740	385	285	122		4	261	143	0.54	35.63
CAMEROON	224	488	109	64		2	113	58	0.50	30.53
CENT. AFR. REP.	32	216	7	2			7	3	0.42	
CHAD	298	239	71	23		1	42	51	1.19	102.19
COTE D'IVOIRE	343	408	140	47		2	138	47	0.33	22.64
GUINEA	12	276	3	1			3	1	0.40	
MADAGASCAR				3				3		
MALI	656	404	265	104		3	249	117	0.46	38.87
NIGER	5	447	2	0		1	1	0	0.11	0.25
SENEGAL	20	355	7	1		1	5	3	0.41	3.23
TOGO	133	293	39	12			38	14	0.36	
F. Africa	**2,881**	**383**	**1,103**	**440**		**17**	**999**	**526**	**0.52**	**30.57**
ANGOLA	3	302	1	0		1	0	0	0.33	0.48
ETHIOPIA	105	423	45	19	11	55	0	19	0.34	0.34
GHANA	15	370	6	1		1	4	1	0.26	1.11
KENYA	29	183	5	2	3	8		3	0.36	0.36
MALAWI	90	232	21	10		3	16	12	0.61	3.94
MOZAMBIQUE	116	263	31	26			37	20	0.53	
NIGERIA	253	202	51	22	1	25	31	18	0.32	0.71
SOUTH AFRICA	18	850	15	9	17	22	7	12	0.41	0.56
TANZANIA	331	175	58	73		39	38	54	0.69	1.37
UGANDA	74	363	27	21		1	32	16	0.49	29.26
CONGO, DR				2	8	8		2	0.27	0.27
ZAMBIA	120	332	40	40		2	44	34	0.76	
ZIMBABWE	155	271	42	7		3	24	22	0.83	7.83
S. Africa	**1,330**	**259**	**345**	**239**	**60**	**190**	**235**	**218**	**0.51**	**1.15**
KAZAKHSTAN	111	634	70	13	0	12	55	16	0.24	1.35
KYRGYZSTAN	14	810	12	4	4	1	14	4	0.27	4.19
TAJIKISTAN	162	525	85	27		11	74	27	0.32	2.40
TURKMENISTAN	545	542	296	74		140	143	86	0.30	0.61
UZBEKISTAN	1,250	631	789	242	1	371	359	303	0.41	0.82
C. Asia	**2,082**	**601**	**1,252**	**360**	**5**	**535**	**645**	**436**	**1.55**	**0.81**

2016/17 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) August 1, 2017

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	4	3	1	0	0.12	0.15
AZERBAIJAN	51	623	32	9		16	10	15	0.58	0.95
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				2	7	3	4	1	0.18	0.40
BULGARIA	1	324	0	1	5	5	0	1	0.18	0.19
CZECH REP.				0	3	3		0	0.13	0.13
DENMARK					0	0				
ESTONIA										
FINLAND										
FRANCE				2	12	9	3	2	0.13	0.18
GERMANY				9	30	24	6	9	0.30	0.38
GREECE	211	1,009	213	44	5	20	209	33	0.14	1.64
HUNGARY				0	1		1	0	0.03	
IRELAND				0	0	0		0	0.09	0.09
ITALY				7	34	33	2	6	0.18	0.19
LATVIA				0	0	0	0	0	0.03	0.04
LITHUANIA				0				0		
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				0	4	4		0	0.10	
NORWAY										
POLAND				0	3	3		0	0.12	0.12
PORTUGAL				7	34	34	0	6	0.18	0.19
ROMANIA				0	0	0		0	0.09	0.09
RUSSIA	1	520	1	16	51	55	0	13	0.24	0.24
SLOVAK REP.										
SPAIN	61	903	55	23	3	5	56	20	0.32	3.74
SWEDEN				0	0	0		0	0.74	0.74
SWITZERLAND				0	1	1	0	0	0.37	0.41
UKRAINE				0	2	2		0	0.25	0.25
UNITED KINGDOM				0	0	0		0	0.14	0.14
FORMER YUGOSLAVIA				1	7	7		1	0.19	0.19
Europe	**327**	**921**	**301**	**130**	**222**	**244**	**293**	**116**	**0.22**	**0.48**
Including EU-28	**273**	**982**	**268**	**97**	**147**	**149**	**282**	**80**	**0.19**	**0.54**
CHINA	2,923	1,676	4,900	12,650	1,080	8,000	11	10,619	1.33	1.33
TAIWAN				41	137	153		25	0.16	0.16
HONG KONG				33	0		1	33	41.48	
Sub total	**2,923**	**1,676**	**4,900**	**12,724**	**1,217**	**8,153**	**11**	**10,677**	**1.31**	**1.31**
AUSTRALIA	557	1,722	960	187		7	704	437	0.62	65.34
INDONESIA	8	615	5	96	724	676		148	0.22	0.22
JAPAN				16	56	62		9	0.15	0.15
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				54	229	229	1	53	0.23	0.23
MALAYSIA				17	82	65	8	26	0.36	0.40
PHILIPPINES	0	567	0	3	10	10		3	0.28	0.28
SINGAPORE				0	7		7	0	0.05	
THAILAND	2	517	1	46	255	255		47	0.18	0.18
VIETNAM	5	460	2	151	1,244	1,168		229	0.20	0.20
E. Asia	**591**	**1,650**	**975**	**573**	**2,612**	**2,485**	**719**	**956**	**0.30**	**0.38**
AFGHANISTAN	40	387	16	5		4	10	7	0.48	1.56
BANGLADESH	43	665	28	346	1,412	1,409		379	0.27	0.27
INDIA	10,500	550	5,775	1,507	475	5,148	909	1,701	0.28	0.33
MYANMAR	244	634	155	104	10	207		62	0.30	0.30
PAKISTAN	2,496	666	1,663	704	538	2,147	24	734	0.34	0.34
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	**13,326**	**573**	**7,639**	**2,667**	**2,437**	**8,919**	**942**	**2,883**	**0.29**	**0.32**
IRAN	72	806	58	30	52	110		30	0.27	0.27
IRAQ	13	361	5	2	4	9		2	0.21	0.21
ISRAEL	8	1,761	14	2			14	2	0.13	
SYRIA	35	983	35	22		24	22	11	0.23	0.45
TURKEY	420	1,674	703	826	704	1,450	78	705	0.46	0.49
Sub total	**551**	**1,480**	**815**	**886**	**770**	**1,605**	**114**	**752**	**0.44**	**0.47**
WORLD TOTAL	**29,352**	**785**	**23,032**	**20,333**	**7,877**	**24,465**	**7,877**	**18,905**	**0.77**	**0.77**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

2017/18 SUPPLY AND USE OF COTTON BY COUNTRY August 1, 2017

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
CANADA				0	0	0		0	0.12	0.12
CUBA	4	269	1	1	2	3		1	0.19	0.19
DOM. REP.					1	1		0	0.47	0.47
MEXICO	146	1,559	228	148	197	376	30	167	0.41	0.44
USA	4,525	910	4,116	697	2	740	2,891	1,181	0.33	1.60
N. America	**4,680**	**929**	**4,347**	**846**	**203**	**1,122**	**2,921**	**1,349**	**0.33**	**1.20**
EL SALVADOR				9	35	35		9	0.27	0.27
GUATEMALA				7	27	27		7	0.26	0.26
HONDURAS	0	318	0	0		0		0		
C. America	**2**	**512**	**1**	**16**	**62**	**63**	**0**	**16**	**0.26**	**0.26**
ARGENTINA	259	608	158	304	3	141	47	276	1.46	1.95
BOLIVIA	4	639	3	2	1	3	0	2	0.50	0.53
BRAZIL	996	1,561	1,555	1,045	23	737	650	1,235	0.89	1.68
CHILE				0	0	0		0	0.12	0.12
COLOMBIA	12	851	10	7	22	30		9	0.29	0.29
ECUADOR	1	439	1	3	10	10		3	0.31	0.31
PARAGUAY	10	419	4	1	1	3	2	1	0.27	0.46
PERU	26	814	22	16	40	60	1	17	0.28	0.28
URUGUAY				0	0	0		0	0.06	0.06
VENEZUELA	14	390	6	3	5	11		3	0.30	0.30
S. America	**1,323**	**1,328**	**1,757**	**1,381**	**104**	**996**	**700**	**1,546**	**0.91**	**1.55**
ALGERIA				1	2	2		1	0.23	0.23
EGYPT	110	719	79	77	106	146	39	77	0.42	0.53
MOROCCO				4	15	15		4	0.24	0.24
SUDAN	72	561	40	14		18	20	16	0.42	0.90
TUNISIA				3	12	12		3	0.22	0.22
N. Africa	**182**	**656**	**119**	**98**	**136**	**193**	**60**	**100**	**0.39**	**0.52**
BENIN	450	436	196	87		4	164	115	0.69	28.86
BURKINA FASO	763	405	309	143		4	278	170	0.60	42.52
CAMEROON	235	461	108	58		2	103	61	0.58	32.13
CENT. AFR. REP.	33	219	7	3			7	3	0.49	
CHAD	283	206	58	51		1	74	34	0.46	68.78
COTE D'IVOIRE	350	425	149	47		2	141	52	0.36	25.26
GUINEA	12	273	3	1			3	1	0.40	
MADAGASCAR				3				3		
MALI	689	441	304	117		3	281	137	0.48	45.60
NIGER	5	447	2	0		1	1	0	0.11	0.25
SENEGAL	21	330	7	3		1	6	3	0.50	4.06
TOGO	144	303	44	14			40	17	0.44	
F. Africa	**2,984**	**398**	**1,188**	**526**		**17**	**1,098**	**598**	**0.54**	**34.80**
ANGOLA	3	301	1	0		1	0	0	0.33	0.48
ETHIOPIA	109	463	50	19	10	60	0	19	0.31	0.31
GHANA	15	372	6	1		1	4	1	0.25	1.11
KENYA	28	184	5	3	4	8		4	0.48	0.48
MALAWI	90	236	21	12		3	18	12	0.56	3.95
MOZAMBIQUE	124	185	23	20			28	15	0.52	
NIGERIA	261	204	53	18	1	24	28	20	0.38	0.84
SOUTH AFRICA	19	998	19	12	11	22	7	12	0.41	0.55
TANZANIA	347	197	68	54		40	26	56	0.84	1.39
UGANDA	80	338	27	16		1	28	15	0.51	26.78
CONGO, DR				2	7	7		2	0.30	0.30
ZAMBIA	126	356	45	34		2	41	36	0.85	
ZIMBABWE	171	271	46	22		3	40	25	0.58	8.87
S. Africa	**1,393**	**264**	**368**	**218**	**53**	**194**	**223**	**222**	**0.53**	**1.14**
KAZAKHSTAN	116	634	73	16	0	13	42	34	0.63	2.64
KYRGYZSTAN	14	810	11	4	3	1	13	4	0.28	4.19
TAJIKISTAN	175	532	93	27		15	72	34	0.39	2.29
TURKMENISTAN	545	559	304	86		140	159	91	0.30	0.65
UZBEKISTAN	1,208	662	800	303	1	380	377	346	0.46	0.91
C. Asia	**2,057**	**623**	**1,282**	**436**	**4**	**549**	**663**	**510**	**2.06**	**0.93**

2017/18 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) August 1, 2017

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *	S/MU **
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio	Ratio
AUSTRIA				0	3	3		0	0.16	0.16
AZERBAIJAN	103	669	69	15		17	34	32	0.63	1.90
BELARUS				4	11	11		4	0.34	0.34
BELGIUM				1	7	3	4	1	0.19	0.42
BULGARIA	1	324	0	1	5	5	0	1	0.18	0.19
CZECH REP.				0	2	2		0	0.09	0.09
DENMARK					0	0			0.12	
ESTONIA										
FINLAND										
FRANCE				2	10	8	2	2	0.15	0.19
GERMANY				9	26	22	4	9	0.34	0.41
GREECE	243	1,028	250	33	5	20	210	58	0.25	2.91
HUNGARY				0				0		
IRELAND				0	0	0		0	0.10	0.10
ITALY				6	33	32	2	6	0.19	0.20
LATVIA				0	0	0	0	0	0.03	0.04
LITHUANIA				0				0		
MOLDOVA				1	2	2		1	0.34	0.34
NETHERLANDS				0	4	4		0	0.11	
NORWAY										
POLAND				0	3	3		0	0.12	0.12
PORTUGAL				6	31	32		5	0.15	0.15
ROMANIA				0	0	0		0	0.09	0.09
RUSSIA	1	520	1	13	47	49	0	11	0.23	0.23
SLOVAK REP.										
SPAIN	62	939	58	20	3	7	54	20	0.32	2.64
SWEDEN				0	0	0		0		
SWITZERLAND				0	1	1	0	0	0.38	0.42
UKRAINE				0	2	2		0	0.26	0.26
UNITED KINGDOM				0	0	0		0	0.13	0.13
FORMER YUGOSLAVIA				1	7	7		1	0.19	0.19
Europe	**411**	**919**	**378**	**116**	**207**	**235**	**311**	**154**	**0.28**	**0.66**
Including EU-28	**306**	**1,008**	**308**	**80**	**136**	**145**	**276**	**103**	**0.25**	**0.71**
CHINA	3,098	1,693	5,246	10,619	1,122	8,050	11	8,926	1.11	1.11
TAIWAN				25	152	152		25	0.16	0.16
HONG KONG				33	0		1	32	38.91	
Sub total	**3,098**	**1,693**	**5,246**	**10,677**	**1,274**	**8,202**	**12**	**8,983**	**1.09**	**1.10**
AUSTRALIA	574	1,737	997	437		6	759	669	0.87	105.30
INDONESIA	8	615	5	148	733	717		169	0.24	0.24
JAPAN				9	57	58		8	0.14	0.14
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				53	236	236		53	0.22	0.22
MALAYSIA				26	83	67	13	29	0.36	0.43
PHILIPPINES	0	567	0	3	10	10		3	0.30	0.30
SINGAPORE				0	6		6	0	0.05	
THAILAND	2	517	1	47	260	261		47	0.18	0.18
VIETNAM	5	465	2	229	1,305	1,261		276	0.22	0.22
E. Asia	**606**	**1,670**	**1,012**	**956**	**2,694**	**2,626**	**778**	**1,258**	**0.37**	**0.48**
AFGHANISTAN	38	387	15	7		4	12	5	0.31	1.20
BANGLADESH	45	764	34	379	1,512	1,479		446	0.30	0.30
INDIA	11,340	541	6,132	1,701	329	5,266	927	1,969	0.32	0.37
MYANMAR	249	634	158	62	57	207		69	0.34	0.34
PAKISTAN	2,720	717	1,952	734	393	2,233	26	820	0.36	0.37
SRI LANKA				0	2	2		0	0.11	0.11
S. Asia	**14,396**	**576**	**8,293**	**2,883**	**2,293**	**9,194**	**965**	**3,310**	**0.33**	**0.36**
IRAN	76	732	55	30	60	116		30	0.26	0.26
IRAQ	10	361	3	2	5	8		2	0.24	0.24
ISRAEL	7	1,892	13	2			13	2	0.14	
SYRIA	25	954	23	11		22	4	9	0.34	0.39
TURKEY	470	1,716	807	705	699	1,450	56	705	0.47	0.49
Sub total	**590**	**1,531**	**903**	**752**	**773**	**1,607**	**72**	**750**	**0.45**	**0.47**
WORLD TOTAL	**31,722**	**785**	**24,893**	**18,905**	**7,802**	**24,997**	**7,802**	**18,798**	**0.75**	**0.75**

*/ Ending stocks divided by consumption plus exports.

**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

ICAC

SUPPLY AND DISTRIBUTION OF COTTON

August 1, 2017

Seasons begin on August 1

	2012/13	2013/14 Est.	2014/15 Est.	2015/16 Est.	2016/17 Est.	2017/18 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	**15.710**	**19.428**	**21.322**	**23.043**	**20.33**	**18.90**
CHINA	6.696	10.811	13.280	14.118	12.65	10.62
USA	0.729	0.827	0.512	0.795	0.83	0.70
PRODUCTION						
WORLD TOTAL	**27.079**	**26.225**	**26.269**	**21.484**	**23.03**	**24.89**
INDIA	6.290	6.766	6.562	5.746	5.78	6.13
CHINA	7.600	7.000	6.600	5.200	4.90	5.25
USA	3.770	2.811	3.553	2.806	3.74	4.12
PAKISTAN	2.002	2.076	2.305	1.537	1.66	1.95
BRAZIL	1.310	1.734	1.563	1.289	1.48	1.55
UZBEKISTAN	1.000	0.910	0.885	0.832	0.79	0.80
OTHERS	5.107	4.928	4.801	4.074	4.68	5.09
CONSUMPTION						
WORLD TOTAL	**23.448**	**24.097**	**24.592**	**24.183**	**24.47**	**25.00**
CHINA	7.900	7.600	7.550	7.600	8.00	8.05
INDIA	4.762	5.087	5.377	5.296	5.15	5.27
PAKISTAN	2.216	2.470	2.467	2.147	2.15	2.23
EUROPE & TURKEY	1.560	1.611	1.692	1.687	1.61	1.60
BANGLADESH	1.045	1.129	1.197	1.316	1.41	1.48
VIETNAM	0.492	0.673	0.875	1.007	1.17	1.26
USA	0.762	0.773	0.778	0.751	0.72	0.74
BRAZIL	0.910	0.862	0.797	0.701	0.72	0.74
OTHERS	3.801	3.892	3.860	3.677	3.55	3.63
EXPORTS						
WORLD TOTAL	**10.051**	**9.028**	**7.698**	**7.549**	**7.88**	**7.80**
USA	2.836	2.293	2.449	1.993	3.16	2.89
INDIA	1.690	2.015	0.914	1.258	0.91	0.93
CFA ZONE	0.825	0.973	0.892	0.961	1.00	1.09
BRAZIL	0.938	0.485	0.851	0.939	0.61	0.65
UZBEKISTAN	0.690	0.615	0.550	0.500	0.36	0.38
AUSTRALIA	1.343	1.057	0.520	0.616	0.70	0.76
IMPORTS						
WORLD TOTAL	**10.214**	**8.858**	**7.789**	**7.571**	**7.88**	**7.80**
BANGLADESH	1.055	1.112	1.183	1.378	1.41	1.51
VIETNAM	0.517	0.687	0.934	1.001	1.24	1.31
CHINA	4.426	3.075	1.804	0.959	1.08	1.12
TURKEY	0.803	0.924	0.800	0.918	0.70	0.70
INDONESIA	0.686	0.651	0.728	0.640	0.72	0.73
TRADE IMBALANCE 1/	**0.163**	**-0.170**	**0.091**	**0.023**	**0.00**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.075**	**-0.063**	**-0.047**	**-0.034**	**0.00**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**19.428**	**21.322**	**23.043**	**20.333**	**18.90**	**18.80**
CHINA	10.811	13.280	14.118	12.650	10.62	8.93
USA	0.827	0.512	0.795	0.827	0.70	1.18
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	**55**	**49**	**52**	**46**	**50**	**58**
CHINA 4/	**137**	**175**	**187**	**166**	**133**	**111**
COTLOOK A INDEX 5/	**88**	**91**	**71**	**70**	**83**	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.
2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.
3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.
4/ China's ending stocks divided by China's mill use, multiplied by 100.
5/ U.S. cents per pound.