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COTTON :
Review of the World Situation

International Cotton Advisory Committee

Volume 71 - Number 2
November-December 2017

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ICAC

SUPPLY AND DISTRIBUTION OF COTTON
December 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	**15.708**	**19.428**	**21.317**	**22.955**	**20.24**	**18.71**
CHINA	6.696	10.811	13.280	14.118	12.65	10.63
USA	0.729	0.827	0.512	0.795	0.83	0.60
PRODUCTION						
WORLD TOTAL	**27.079**	**26.225**	**26.269**	**21.483**	**23.00**	**25.74**
INDIA	6.290	6.766	6.562	5.746	5.73	6.23
CHINA	7.600	7.000	6.600	5.200	4.90	5.25
USA	3.770	2.811	3.553	2.806	3.74	4.65
PAKISTAN	2.002	2.076	2.305	1.537	1.66	2.06
BRAZIL	1.310	1.734	1.563	1.289	1.53	1.57
UZBEKISTAN	1.000	0.910	0.885	0.832	0.79	0.80
OTHERS	5.107	4.928	4.801	4.072	4.65	5.18
CONSUMPTION						
WORLD TOTAL	**23.450**	**24.101**	**24.587**	**24.180**	**24.52**	**25.22**
CHINA	7.900	7.600	7.550	7.600	8.00	8.12
INDIA	4.762	5.087	5.377	5.296	5.15	5.30
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	1.63
BANGLADESH	1.045	1.129	1.197	1.316	1.41	1.44
VIETNAM	0.492	0.673	0.875	1.007	1.17	1.31
USA	0.762	0.773	0.778	0.751	0.71	0.73
BRAZIL	0.910	0.862	0.797	0.701	0.73	0.76
OTHERS	3.802	3.896	3.854	3.675	3.60	3.70
EXPORTS						
WORLD TOTAL	**10.048**	**9.029**	**7.786**	**7.552**	**8.11**	**8.15**
USA	2.836	2.293	2.449	1.993	3.25	3.18
INDIA	1.690	2.015	0.914	1.258	0.99	1.07
CFA ZONE	0.821	0.973	0.966	0.963	0.97	1.00
BRAZIL	0.938	0.485	0.851	0.939	0.61	0.65
UZBEKISTAN	0.690	0.615	0.550	0.500	0.34	0.37
AUSTRALIA	1.343	1.058	0.527	0.616	0.81	0.73
IMPORTS						
WORLD TOTAL	**10.213**	**8.858**	**7.789**	**7.571**	**8.11**	**8.15**
BANGLADESH	1.055	1.112	1.183	1.378	1.41	1.54
VIETNAM	0.517	0.687	0.934	1.001	1.20	1.40
CHINA	4.426	3.075	1.804	0.959	1.10	1.34
TURKEY	0.803	0.924	0.800	0.918	0.80	0.72
INDONESIA	0.686	0.651	0.728	0.640	0.75	0.76
TRADE IMBALANCE 1/	**0.166**	**-0.171**	**0.003**	**0.020**	**0.00**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.075**	**-0.063**	**-0.047**	**-0.034**	**-0.01**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**19.428**	**21.317**	**22.955**	**20.243**	**18.71**	**19.24**
CHINA	10.811	13.280	14.118	12.650	10.63	9.09
USA	0.827	0.512	0.795	0.827	0.60	1.35
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	**55**	**49**	**52**	**46**	**49**	**59**
CHINA 4/	**137**	**175**	**187**	**166**	**133**	**112**
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.

SUMMARY OF THE OUTLOOK FOR COTTON

Global Cotton Production to Increase in 2017/18

Cotton plantings in the northern hemisphere for the 2018/19 season will begin in a few months. Following two years of declining planted area, global cotton area for 2017/18 is projected to increase by 11% to 32.5 million hectares. Planted area in India is estimated at 11.55 million hectares for 2017/18, with production projected to grow by 8.7% to 6.2 million tons. In 2017/18, planted area in the USA continues to grow for the second season by an estimated 20% to 4.6 million hectares. Pakistan plantings for 2017/18 are expected to increase by 24% to 3.1 million hectares after several years of declining area with an anticipated 24% growth in production to 2.06 million tons. Production is projected to increase in all other major producing countries during 2017/18, including China, Brazil, Francophone Africa and Turkey. Global production in 2016/17 rose by 7% and is forecasted to grow by 12% during 2017/18.

Ending Stocks

Source: ICAC, World Cotton Database, 2017.

Global cotton mill use is expected to grow in 2017/18 by 3% to 25.2 million tons. The gap between cotton prices and polyester prices has continued to narrow since mid-2017 despite a recent upturn in cotton prices that may push cotton consumption lower. While mill use is rising, stocks will continue to grow as production outpaces consumption. Imports by China are expected to remain steady as the stock to use ratio decreases. Mill use in China is expected to grow at 1% to 8.12 million tons. Cotton mill use is also projected to grow moderately in India, Pakistan, Turkey, Bangladesh, Vietnam and Brazil.

World cotton trade is expected to remain stable at 8 million tons for 2017/18. Exports by the USA in 2016/17 reached 3.248 million tons and in 2017/18 exports are projected to decrease slightly to 3.176 million tons. India's exports for 2016/17 were down 21% from the previous year to 991,000 tons, but are expected to grow by 8% in 2017/18 to 1.07 million tons. Bangladesh imports in 2016/17 were 1.4 million tons. Bangladesh will remain the largest importer in 2017/18 accounting for 18% or an estimated 1.535 million tons of world imports. Vietnam will remain the second largest importer with imports growing by 17% during 2017/18 reaching 1.4 million tons.

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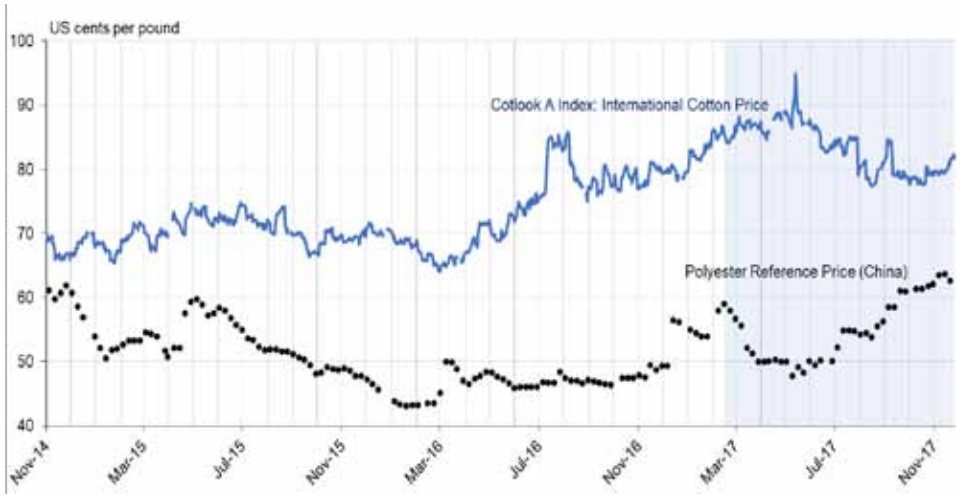
Prices

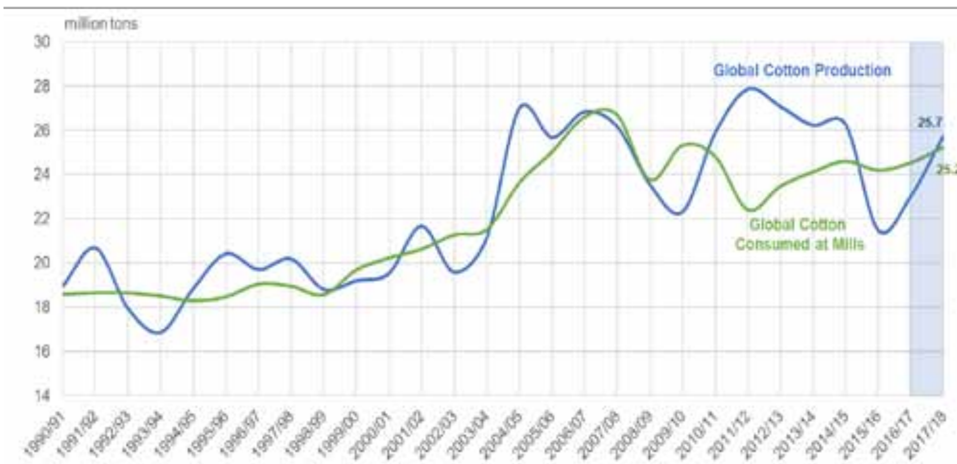


Source: Cotton Outlook, 2017.

After two years of shrinking, global stocks are expected to grow by 3% in 2017/18 to 19.2 million tons. Stocks in China are expected to continue to decrease by 14% to 9.09 million tons, while stocks outside of China are expected to increase to 10.1 million tons.

Plantings have started in the southern hemisphere. Cotton area is expected to increase by 6% in Brazil to 995,000 hectares and in Argentina to 410,000 hectares. Australia planted area is expected to expand by 3% to 574,000 hectares.

Global Production and Consumption



Source: ICAC, World Cotton Database, 2017.

WORLD COTTON TRADE REMAINS STAGNANT

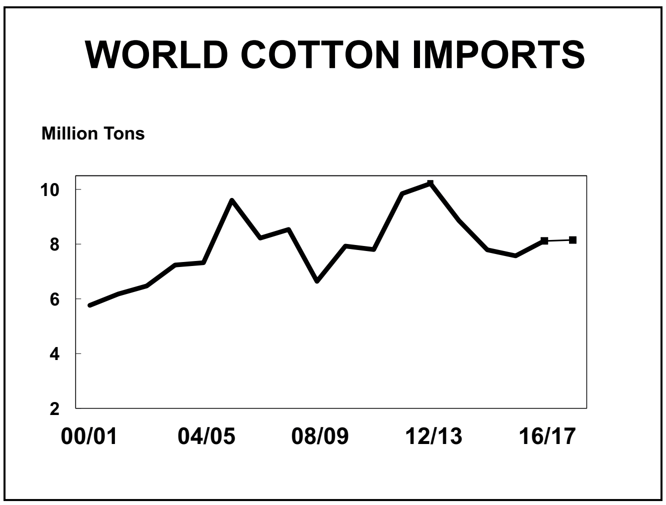
By Andrei Guitchounts, ICAC

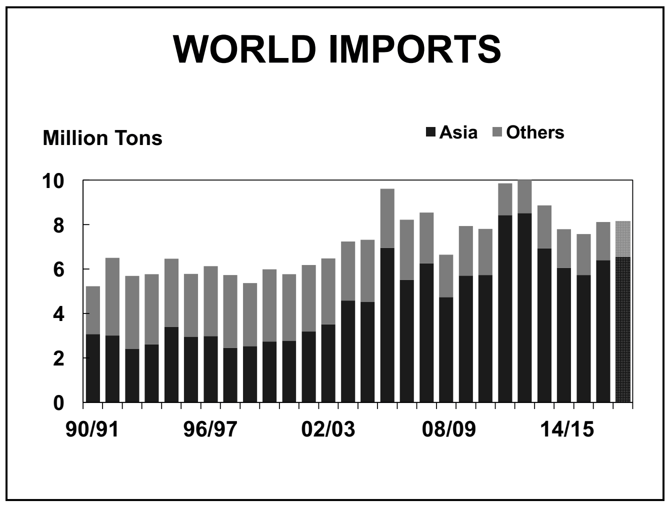
World cotton trade remained relatively stable during the past three seasons and is projected to remain close to 8 million tons during 2017/18 despite increasing production and mill use. During 2011/12 and 2012/13, world trade reached records above 10 million tons, boosted by the Chinese policy of stockpiling domestically produced cotton and relying on substantial imports of lower-priced foreign growths. The end of cotton stockpiling in China led to a decline in Chinese imports from record levels, while slow growth in world mill use and large world stocks are likely to translate into weak expansion in world trade in the near future.

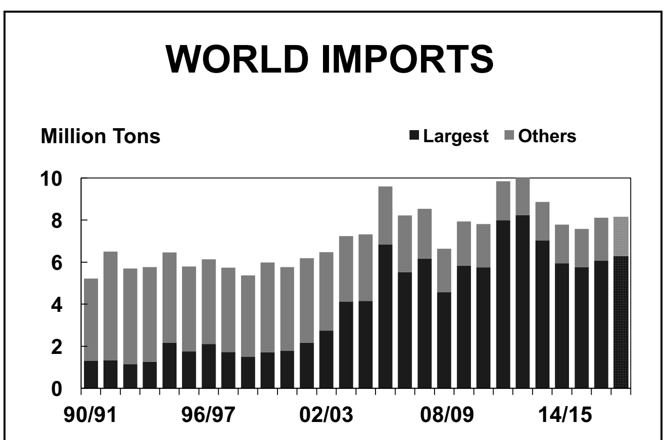
Bangladesh, Vietnam, China, Indonesia and Turkey will remain the world's largest importers in 2017/18, accounting for 71% of world imports. Almost all major importers are projected to increase imports during 2017/18, except for Turkey where larger production is expected to result in smaller imports.

USA, Francophone Africa, India, Australia, Brazil, and Uzbekistan will remain the largest exporters during 2017/18, accounting for 86% of world exports. Exports from USA and Australia are projected to decline moderately and will be offset by increased exports from India, Francophone Africa, Brazil and Uzbekistan.

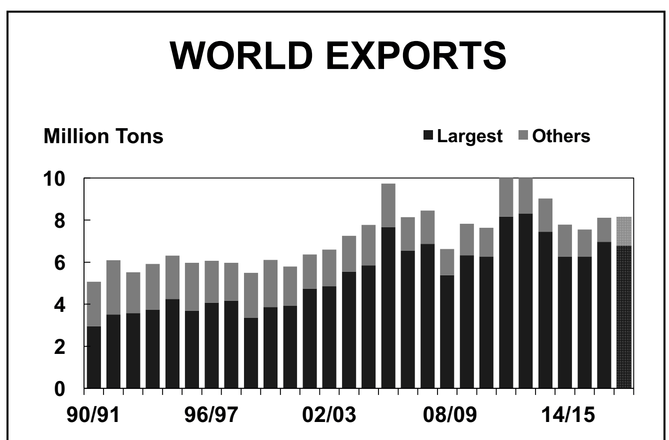
Substantial changes in cotton trade flows have occurred during the past fifteen years. The decline in mill use in developed economies and the rapid expansion of the spinning industry in Asia has led to a major shift in the destination of world exports. Asia became the primary destination for cotton shipments during the past 15 years. In 1998/99, Asia accounted for 58% of world mill use, 47% of world imports and 4% of world exports. In 2017/18, Asia is projected to account for 80% of world mill use, 80% of world imports and 13% of world exports.







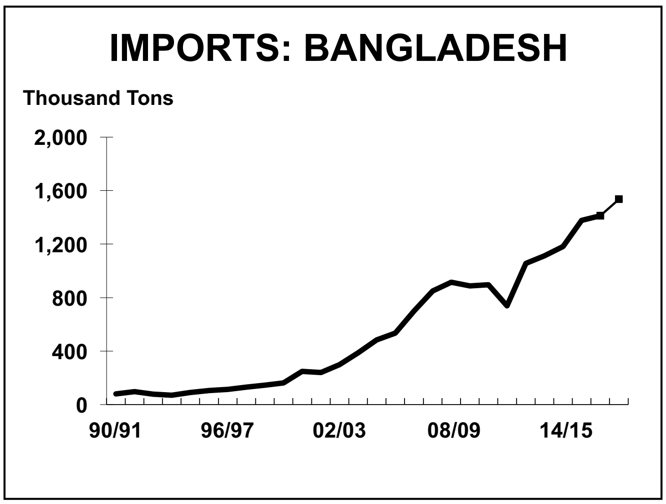
*China, Bangladesh, Vietnam, Indonesia, Turkey, Pakistan and Thailand



*USA, India, CFA Zone, Brazil, Australia and Uzbekistan

Bangladesh is the Largest Importer

It is projected that Bangladesh will remain the largest importer of cotton. Imports by Bangladesh are projected to increase by 9%, reaching 1.54 million tons in 2017/18 and accounting for 19% of world imports. Mill use in Bangladesh continues to grow, supported by the renewed expansion of textile exports and advancing development of the supply chain. India recently became the largest supplier of cotton to Bangladesh, as the share of Uzbekistan in Bangladesh imports is declining. Other Central Asian countries, Africa and Australia supply most of the rest of Bangladeshi imports. Indian and Uzbek growths have the largest market share in Bangladesh because of price competitiveness, short delivery times, and quality characteristics preferred by spinners.



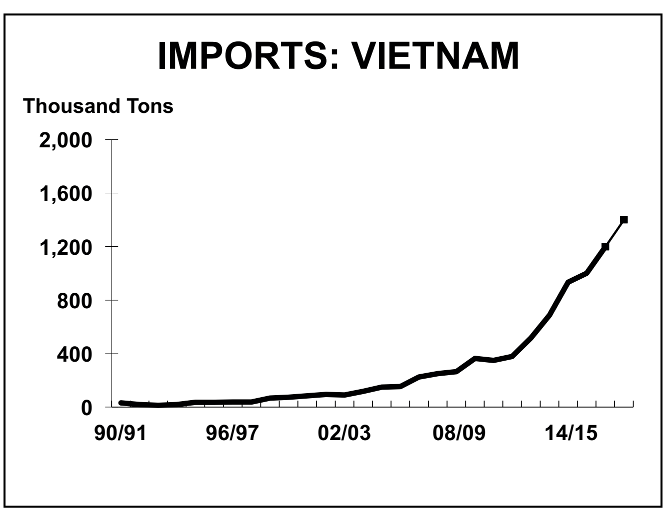
Textile Industry Expansion in Vietnam Continues

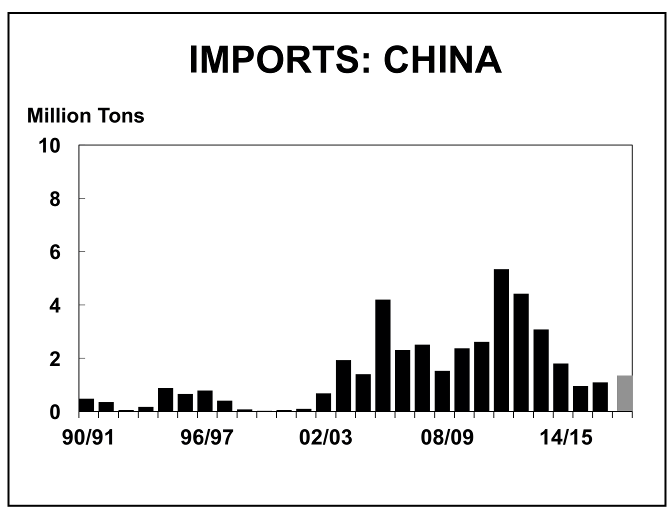
The textile industry in Vietnam has attracted substantial investments, including spinning, weaving, and knitting, dyeing and finishing. Cotton mill use in Vietnam continues to show robust growth, and imports are projected to increase by 17% during 2017/18 to 1.4 million tons. Major textile industry growth factors were the granting of most favored nation (MFN) status by the USA in 2001 and the accession of Vietnam to the World Trade Organization in 2007. The government of Vietnam provides sizeable incentives for foreign investments in textile production. Since 2000, spinning capacity in Vietnam has tripled. Strong demand for cotton yarn from China and Turkey is another factor causing imports of cotton by Vietnam to grow during recent seasons. Vietnam is the world's second largest importer after Bangladesh and will account for 17% of world imports in 2017/18.

Imports by China will Remain Limited

During the past three seasons China restricted imports by limiting the release of import quotas and releasing cotton from the government reserve to mills. Under the terms of its accession agreement to the WTO, China is obliged to establish a tariff-rate-quota (TRQ). The in-quota tariff is 1% for the first 894,000 tons of imports each calendar year. Additional quotas can carry a tariff of 1%, or be subject to a sliding scale of between 5% and 40%. The purpose of the sliding scale is to ensure that the effective cost of imported cotton exceeds international market prices and thus boosts prices paid to farmers in China. In 2016/17, only the obligatory (TRQ) import quota was issued by China. As a result, imports by China remained close to 1 million tons during 2016/17.

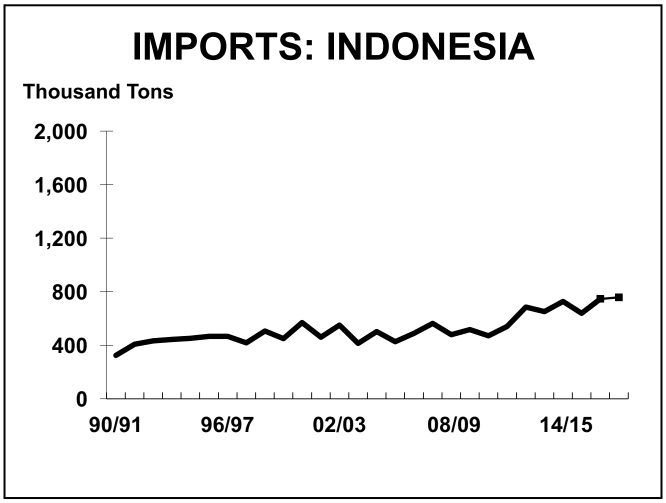
During 2017/18, China is expected to continue to restrict imports to the lowest possible level and to release more cotton from the reserve. The projected release of the reserves to domestic mills will reduce the need for imports and limit growth in world trade. It is projected that imports by China will increase to 1.3 million tons during 2017/18 and is expected to remain the third largest importer (behind Bangladesh and Vietnam), while accounting for 16% of world imports.





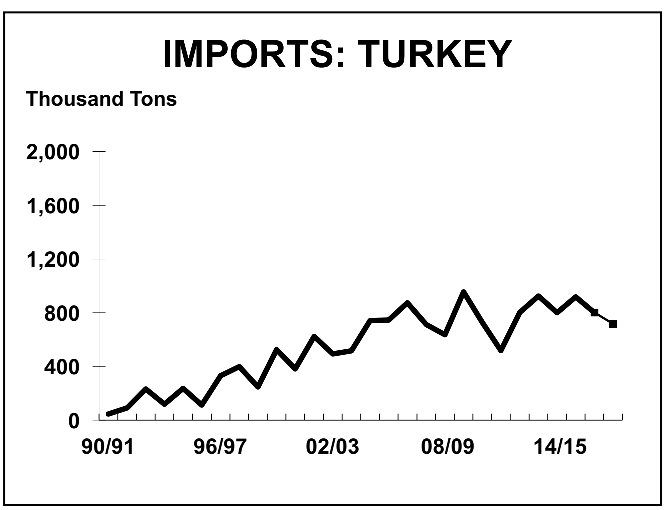
Cotton Mill Use in Indonesia is Rising

Cotton mill use in Indonesia is projected to continue recovering during 2017/18 as spinning mills are running at a higher capacity and some gain of market share by cotton from polyester is expected. Imports by Indonesia are projected to increase by about 2% during 2017/18 reaching 760,000 tons, a gain of 100,000 tons in two seasons. Indonesia is projected to account for 9% of world imports and is the fourth largest cotton importer in the world. Indonesia is a large exporter of cotton yarn to China.



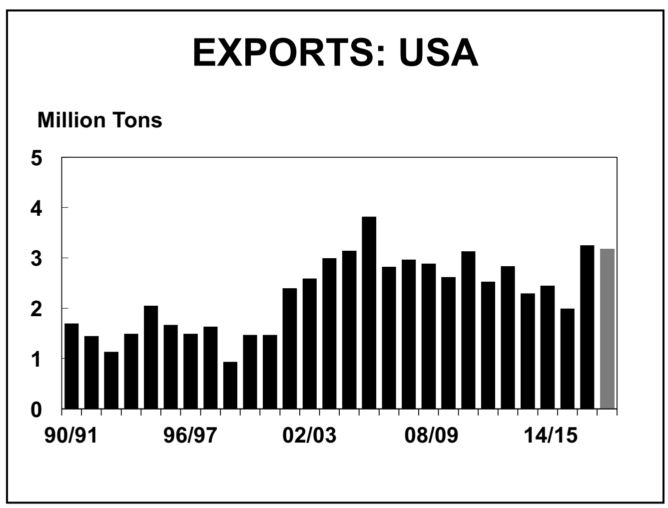
Imports by Turkey Remain Large

Cotton production in Turkey is projected to increase by 18% during 2017/18, however the domestic spinning industry remains dependent on imports for about half of its mill use. In 2017/18, cotton imports by Turkey are projected to remain large at about 720,000 tons, equivalent to 9% of world trade and the fifth largest after Bangladesh, Vietnam, China and Indonesia. The textile and garment industries remain key components of the Turkish economy and account for 8% of the country's GDP and 18% of exports. Turkey is the second largest textile exporter to the EU after China and is the fourth largest consumer of cotton after India, China and Pakistan. Staring in April 2016, U.S. cotton is subject to a 3% antidumping duty in Turkey. Despite the duty, about 45% of Turkish imports in 2016/17 originated in USA, while the balance came from Turkmenistan, Brazil, Greece, Syria, Burkina Faso, and Azerbaijan. The high share of US cotton in Turkish imports is explained by the importance of GSM-102 credit guarantees, actively used by Turkish buyers. Long-term credit (up to 18 months) and competitive credit terms fit well with Turkish banks and importers. Cotton Council International of USA runs an active marketing and promotional campaign in Turkey.



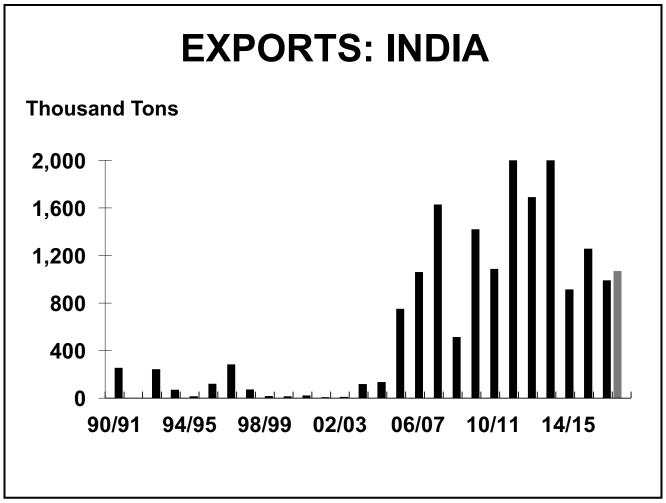
Exports from the USA are Projected to Remain High

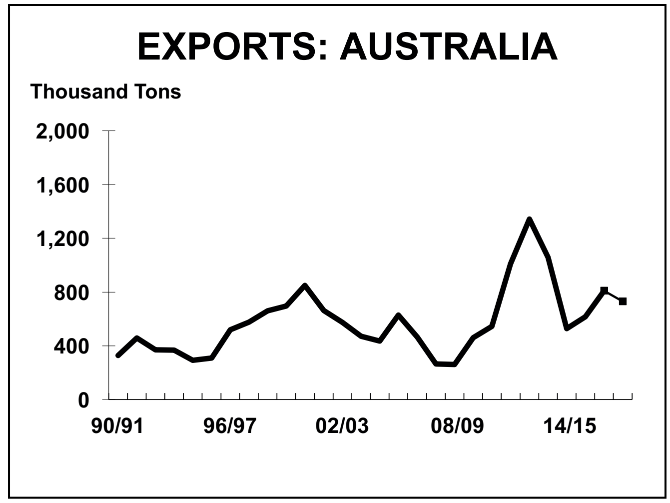
During 2016/17, US exports rose by 63% to more than 3.2 million tons as a result of a significant increase in US cotton production. This was the largest US exports since 2005/05. US cotton production is projected to grow further during 2017/18, and the USA will remain the largest exporter of cotton, accounting for 39% of world exports or 3.2 million tons (unchanged from 2016/17). US cotton is competitively priced and forward sales at the beginning of 2017/18 were well ahead of commitments made for 2016/17 at the same stage of the season. Vietnam remained the largest destination for U.S. cotton in 2016/17, accounting for 20% of exports, ahead of China, which accounted for 15% of US exports.



Indian Exports Set to Increase

Both production and mill use of cotton are expected to increase during 2017/18. Exports by India are projected to increase by 8% in 2017/18 to 1.1 million tons and account for 13% of world exports. India emerged as one of the largest cotton exporters in 2005/06, as a result of increased domestic





production. Favorable growing conditions, low incidence of pests and diseases, increased planting of new, higher-yielding varieties and biotech cotton led to higher output. Improved crop management practices, increased cotton demand and relatively high market prices resulted in improved yields, better quality and increased area during the past several seasons. In 2011/12, India exported 2.4 million tons, accounting for 24% of world exports.

CFA Zone Exports Rise

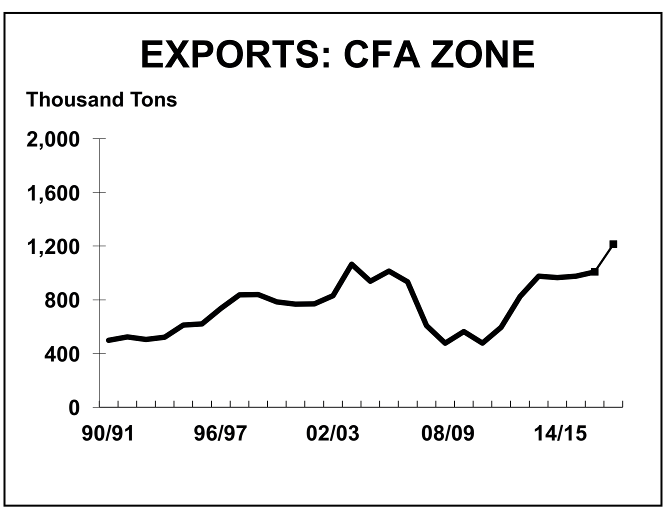
CFA Zone cotton production is projected to rise in 2017/18 and to reach close to 1.2 million tons, possibly the largest volume on record, due to relatively high prices received by farmers. Increased production will provide a historically high amount available for export. In 2017/18, exports from the CFA zone are projected to increase by 3%, exceeding 1 million tons and accounting for 12% of world exports

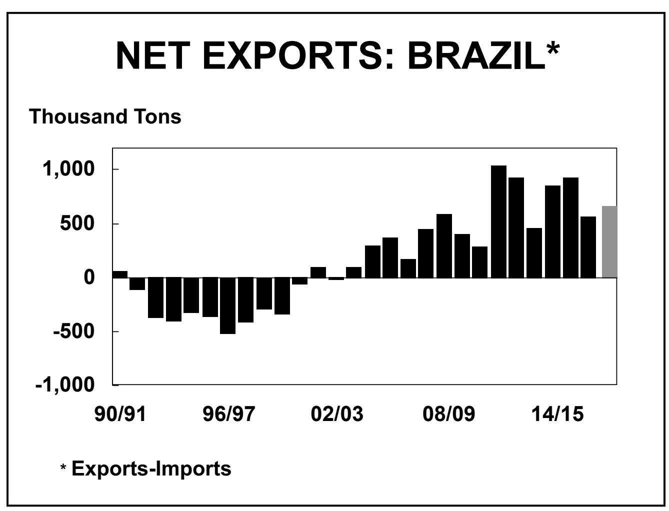
Exports from Australia Remain High

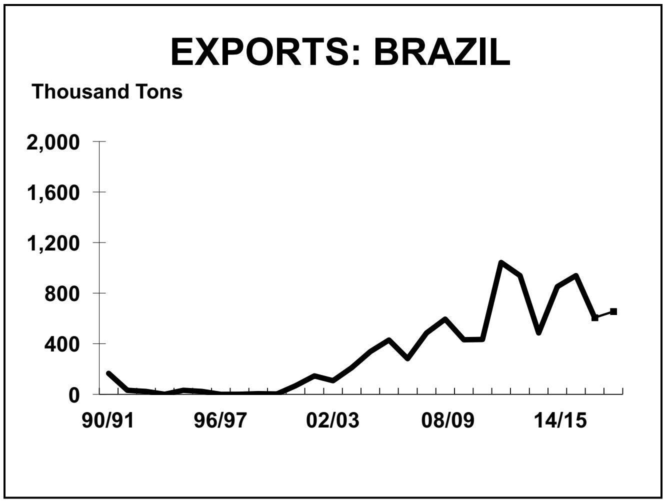
Cotton production in Australia is expected to expand 5% during 2017/18. This will be the second consecutive season of increase because of improved water availability and better competitiveness in relation to other crops. Exports from Australia in 2017/18 are expected to decline moderately to 730,000 tons, and Australia is projected to be the fourth largest exporter, accounting for 9% of world trade. Australian exports reached a record of 1.35 million tons in 2012/13 as a result of two years of abundant rainfall and higher production.

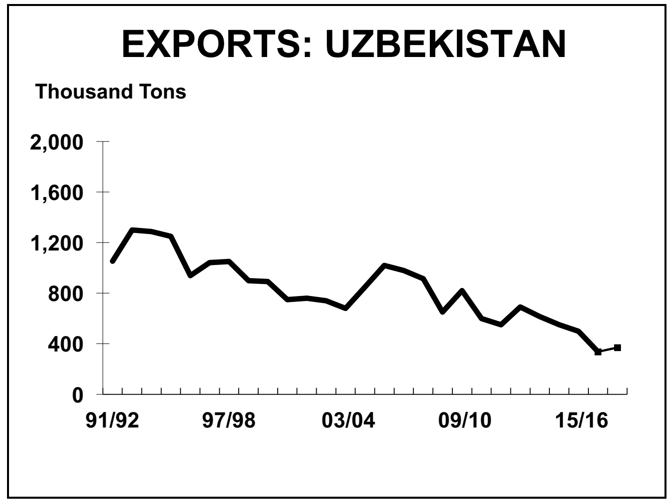
Exports from Brazil Expected to Increase

Production in Brazil is projected to increase by 3% in 2017/18 to 1.6 million tons as a result of higher domestic prices and a relatively weak Brazilian real. However, production is still below the record output of 2 million tons achieved in 2010/11, when one million tons were exported. Brazilian cotton exports are projected at around 650,000 tons in 2017/18 (up by 50,000 tons). Brazil will be the fifth largest exporter during 2017/18, accounting for 8% of world exports.









Exports from Uzbekistan Declines

Production in Uzbekistan is projected little changed at about 800,000 tons in 2017/18. The share of cotton directed to domestic mills continues to increase as investments in the spinning sector of Uzbekistan continue to grow, benefiting from discounted (by 20%) supplies of Uzbek cotton and rising demand for cotton yarn from China, Russia and other markets. It is estimated that close to 50% of production is consumed domestically. Exports by Uzbekistan in 2017/18 are projected to decline moderately to 330,000 tons.

WORLD PRICE OUTLOOK REMAINS FIRM AS STOCK LEVELS FALL

Ed Jernigan, Managing Director JGGlobal, LLC, and
O.A. Cleveland, PhD professor Emeritus, Mississippi State University

As the near ten-year pre-occupation with the record buildup of stocks by China ends, the world cotton industry faces new uncertainties as a result of 1) the explosion in the size of the U.S. crop, 2) an overestimation of world stocks outside of China, 3) the significant drawdown in Chinese Reserve Stocks, and 4) the recovery in world polyester prices. In addition, there were the weather anomalies of 2017 in both India and the U.S. Furthermore, yield reductions occurred in high quality crops of Australia and Brazil as well as in China. Thus, the price uncertainty facing the cotton world market has expanded.

Expanded U.S. Yields

The U.S. will harvest a 4.6-4.8 million tons, the largest since the 2004-2006 crops that ranged from 4.8 to 5.2 million tons. Since that three-year period, the U.S. generally has had crops of 2.8-3.9 million tons. The average crop size between 2007 and 2016 was 3.4 million tons. The impact of new seed genetics introduced in 2015 further improved in both 2016 and 2017 produced remarkable results. These genetics provided better quality and improved yields as ginning outturn was increased. The U.S. cotton belt covers a wide geographic spread with a host of varying and unstable weather conditions. Because of this the average U.S. yield has been far below the average Brazilian yield which is also mostly rain grown, but a more consistent weather pattern. Yet, cotton breeders have succeeded in adapting genetics to produce a plant that manages some of these weather fluctuations with less stress with the added benefit of improved quality. The record yield produced in the U.S. in 2017 should be expected in 2018.

World Stocks Outside of China

World ending stocks present another major market dilemma. Due to the record stock level build up in China, it became prudent to use as a proxy for world stocks, "world ending stocks less China." This approach alleviated the major world market price distortion policies implemented by China. The U. S. Department of Agriculture (USDA) world estimates also created considerable market anxiety over its estimates of world ending stocks outside of China. USDA estimates world stocks outside of China will increase by 2.6 million tons to 11.5 million tons. India is projected to account for 38% of the total and this is a source of much debate.

Government reforms by India have dramatically impacted the movement of cotton. However, the fact is that the physical stocks do not exist. They exist only in statistical balance sheets. First, India has a large number of large and small traders. They aggressively take every opportunity to move bales to export. The market has been essentially devoid of such offers for a year as stocks remained tight throughout the 2016/17 season. Domestic Indian cotton prices have been at a major premium to the world market for some time. The tightness of stocks has maintained a price premium and has even forced southern mills to import cotton. Indian cotton imports in 2016/17 reached a record 588,000 tons, another fact of the shortage of Indian stocks. The U.S. sold a record volume to India in 2016/17 and they were among the top five buyers of U.S. growths over the last several months of the 2016/17, which also reflects the shortage price premium of Indian stocks. The end of year spot price of an S-6 $1^{1/8}$ at the gin in Gujarat was 84-85 cents per pound. Certainly, no Indian trader would hold cotton if the spot price was as much as 18 cents premium to ICE. Again, there was no cotton to sell.

The USDA ending stocks for India appear to be overestimated back to 2010/11. Since then the annual USDA estimate was from 2.2+ to 3+ million tons. India has very limited commercial carryover capacity outside of its textile mills. Further textile mill and gin storage is limited. The Indian MCX and other commodity exchanges have helped add warehouse capacity, but that is limited. When the China Cotton Index-CCI carries over large inventories it has used outside storage under tarpaulins. Given the market premium, no one would carry inventory in outside storage through the monsoon season.

A review of USDA's estimated Indian stocks data back to 2004/05 suggests adjustments from 2010/11 are justified. First, India is a country of statistics and the Indian Textile Ministry collects massive data. The country's taxation action is based on that data and, like in most countries, this drives many businesses to a cash underground economy. The government's recent demonetization decree is bringing more business back on the tax rolls. With this background, USDA initially misjudged Indian cotton consumption. Many smaller spinning mills in India set up their own small gin and buy seed cotton direct from farmer. Also, local industries consume what is referred to as "loose cotton" that has not been ginned. Our work suggests that Indian consumption has been underestimated by at least 163 thousand tons annually since 2010/11.

Non-licensed and unrecorded exports on the borders with Bangladesh and Pakistan are common. We estimate approximately 54,000 tons annually move in this fashion. Thus, Indian stocks have been overestimated by 218,000 tons since 2010/11. Collectively by the end of the 2016/17 season this places Indian stocks at 1.5 million tons. Nevertheless, this would still be nearly double the Cotton Association of India estimate. Such a larger number, as that carried by India, is justified by the different months as inventories are required in the August-September period prior to new crop movement. Yet, even using this conservative approach USDA has overestimated Indian stocks by 1.2 million tons. Arguments can be made for even larger reporting miscalculations.

Omitting stocks held by the world's two largest producing countries does draw attention. Yet, stocks in those countries are generally unavailable to the world market, or they do not exist.

USDA estimates world stocks outside of India and China will increase by 2 million tons from 2016/17, up to 8.4 million tons in 2017/18. A breakdown of this increase shows that a third of that comes from the U.S. Therefore, this is a clear indication why perception of the size of the U.S. crop has dominated the discussion of world prices. Further, the behavior of global prices suggests stock estimates outside of China and India will have to be adjusted. Australia accounts for the second largest increase in world stocks and is projected to increase 283,000 tons. Even at that, USDA will likely reduce its 2017/18 world by production by another 131,000 tons. Brazil accounts for the next largest increase, but that harvest will not occur until after the end of the 2017/18 season. Thus, its impact is limited. The increase in Central Asian stocks is market neutral as those stocks will be used internally. The African Franc Zone was sold out of stocks at the end of 2016/17 and remains so. Thus, this understanding of world stocks explains why prices have not fallen, and in fact, have increased. Nevertheless, events in India, the world's largest producer, do remain a significant unknown.

Chinese Stocks Drawdown

In its lifetime the Chinese National Cotton Reserve Corporation has presided over the largest cotton procurement scheme in the world, managed the storage of over half the world's cotton stocks and has now managed the largest cotton auction in history. Their precision was remarkable. Chinese demand is very strong and can be linked to the rapid expansion in the domestic retail market for textiles and apparel, now the largest in the world. The Chinese FTCR[1] Index of Consumer Behavior reached its second highest level ever. Market development, brand loyalty, less focus on discounts and the development of local brands have all propelled domestic Chinese consumption. Population growth was also a contributor with 18.5 million births in 2016, up 2 million from 2015 and a key factor in the demand for children's apparel. Cotton imports are increasing, especially for U.S. and Australian growths. Domestic yarn production is booming.

The imbalance in Chinese supply/demand will soon become

1) The Financial Times Confidential Research (FTCR)

a market factor and its impact will accelerate the widening difference between Chinese domestic prices and the CFR[2] landed price of the major growths in Asia. High grade Xinjiang $1^{1/8}$ new crop has traded at 115 cents per pound, compared to a US E/MOT[3] Strict Middling $1^{1/8}$ landed China at 82 cents per pound. As Reserve stocks are drawn down the spread between Chinese and world values will tighten.

Pollution Enforcement Cuts Polyester Growth

China has long been the center of the world synthetic fiber market. Its development was driven by government loans and extensive state involvement without regard for the environment. The unbridled growth led to significant over production which brought about cheap polyester prices, but it also created one of the most polluted areas in the world. All three, air, water and soil quality deteriorated to dangerous levels and in 2016 the government began an ambitious program to reclaim the country's environmental health. It shuttered heavy polluting polyester plants and required others to make environmental upgrades. This was a radical shift in Chinese policy, but addressed the widespread environmental damage and brought about an immediate 15% increase in polyester prices.

The program is ongoing and is very aggressive. No other place in the world has suffered similar environmental destruction. The center of synthetic fiber production is in Eastern China, the country's original industrial belt. This of course includes the states of Hebei, Henan, Shandong and Shanxi, all well known to the global cotton community; and today one of the most polluted areas of the world. The new environmental standards have slowed the production of the polyester ingredients, PTA (purified terephthalic acid) and MEG (mono-ethylene glycol). Severe limitations now exist on recycling polyester and China will no longer import used plastic bottles for polyester manufacturing.

The age of synthetic fiber expansion has entered its mature phase. New projects will be far more costly and must meet explicit environmental standards. The time of cheap polyester has passed and future polyester production will be a function not only of the price of oil, but also internationally recognized environmental standards. This dovetails with the slowing of todays "fast fashion," and the retailer's quest for cheap products without regard to quality.

The dramatic loss in cotton's share of the market has subsided in the last six months, a loss that has transitioned over eleven full years. The principal factor of cotton's low share was the promotion of cheap polyester and other man-made fibers. The pressure to further correct the environmental damages of the unchecked growth in the man-made fiber sector in China and other regions is expanding as the public is just now beginning to understand that the world's fresh water supply and oceans are being polluted with micro polyester fibers. At the end of the day a reliable clean water supply and clean air are required for human life. In this battle cotton wins and the reversal of China to an environmental advocate has now begun to have a material impact on the market.

These four drivers of global price uncertainty will not go away and promise to maintain a major influence on prices into the 2020's. The threat of a much larger US crop can be viewed as negative, but the world will need larger production if it is to meet a growing world consumption and maintain prices at a level profitable for spinners. The U.S. will join other countries in attempting to carry less inventory and will remain aggressive with its price offers. The over estimation of world stocks outside of China is a negative influence and also creates an unsafe environment for spinners by encouraging them to lack incentive to extend forward cover. The drawdown of the Chinese Reserve stocks and the reversal in polyester prices are the countering influences, but serve as support should the market move out of balance due to aggressive marketing by major exporters.

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2) Cost and Freight
3) Eastern, Memphis, Orleans, Texas.

2016/17 SUPPLY AND USE OF COTTON BY COUNTRY December 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	385	33	139	0.33	0.36
USA	3,848	972	3,738	827	2	708	3,248	599	0.15	0.85
N. America	**3,961**	**986**	**3,907**	**990**	**235**	**1,098**	**3,281**	**740**	**0.17**	**0.67**
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		
C. America	**2**	**512**	**1**	**16**	**60**	**61**	**0**	**16**	**0.27**	**0.27**
ARGENTINA	247	766	189	320	3	143	58	311	1.54	2.17
BOLIVIA	4	639	3	2	0	3	0	2	0.50	0.53
BRAZIL	939	1,629	1,530	843	41	729	607	1,077	0.81	1.48
CHILE				0	0	0		0	0.12	0.12
COLOMBIA	9	930	8	16	28	43		9	0.20	0.20
ECUADOR	1	439	1	3	10	11		3	0.25	0.25
PARAGUAY	10	450	5	1	1	3	3	1	0.21	0.41
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**	**1,408**	**1,762**	**1,206**	**124**	**1,001**	**669**	**1,422**	**0.85**	**1.42**
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	85		4	247	120	0.48	29.93
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	19		2	136	21	0.15	10.22
GUINEA	12	276	3	1			3	1	0.40	
MADAGASCAR				3				3		
MALI	656	404	265	86		5	240	106	0.43	21.20
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**	**358**		**19**	**975**	**466**	**0.47**	**24.32**
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	72	388	28	21		1	32	16	0.49	18.33
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	**1,328**	**260**	**346**	**239**	**60**	**190**	**236**	**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	337	324	0.46	0.88
C. Asia	**2,082**	**601**	**1,252**	**360**	**5**	**535**	**623**	**458**	**1.59**	**0.86**

2016/17 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) December 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	6	20	223	20	0.08	1.00
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	0.17	0.29
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**	**243**	**306**	**103**	**0.19**	**0.42**
Including EU-28	**273**	**982**	**268**	**97**	**147**	**149**	**296**	**67**	**0.15**	**0.45**
CHINA	2,923	1,676	4,900	12,650	1,096	8,000	13	10,632	1.33	1.33
TAIWAN				41	137	153		25	0.16	0.16
HONG KONG				30	1	0	0	30	62.05	
Sub total	**2,923**	**1,676**	**4,900**	**12,722**	**1,233**	**8,154**	**13**	**10,688**	**1.31**	**1.31**
AUSTRALIA	557	1,677	935	180		7	809	299	0.37	44.77
INDONESIA	8	615	5	96	746	700		147	0.21	0.21
JAPAN				16	56	62		9	0.15	0.15
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				54	232	229	1	56	0.24	0.24
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	267	261	0	52	0.20	0.20
VIETNAM	2	296	0	149	1,198	1,168		180	0.15	0.15
E. Asia	**588**	**1,614**	**949**	**564**	**2,603**	**2,514**	**825**	**777**	**0.23**	**0.31**
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	546	5,733	1,507	596	5,148	991	1,698	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	0.09	0.09
S. Asia	**13,326**	**570**	**7,597**	**2,667**	**2,558**	**8,919**	**1,024**	**2,880**	**0.29**	**0.32**
IRAN	75	702	53	30	57	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	801	1,455	73	802	0.53	0.55
Sub total	**554**	**1,462**	**810**	**886**	**873**	**1,610**	**109**	**849**	**0.49**	**0.53**
WORLD TOTAL	**29,349**	**784**	**23,004**	**20,243**	**8,112**	**24,518**	**8,115**	**18,714**	**0.76**	**0.76**

*/ 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 December 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	139	236	396	30	178	0.42	0.45
USA	4,616	1,008	4,654	599	2	729	3,176	1,350	0.35	1.85
N. America	**4,771**	**1,024**	**4,884**	**740**	**242**	**1,131**	**3,206**	**1,529**	**0.35**	**1.35**
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		
C. America	**2**	**512**	**1**	**16**	**62**	**63**	**0**	**16**	**0.26**	**0.26**
ARGENTINA	410	609	249	311	3	145	87	332	1.43	2.29
BOLIVIA	4	639	3	2	1	3	0	2	0.50	0.53
BRAZIL	995	1,578	1,570	1,077	19	762	655	1,249	0.88	1.64
CHILE				0	0	0		0	0.12	0.12
COLOMBIA	12	851	10	9	33	43		9	0.20	0.20
ECUADOR	1	439	1	3	10	10		3	0.31	0.31
PARAGUAY	10	419	4	1	1	3	2	1	0.26	0.43
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	**1,473**	**1,265**	**1,864**	**1,422**	**111**	**1,037**	**744**	**1,616**	**0.91**	**1.56**
ALGERIA				1	2	2		1	0.23	0.23
EGYPT	91	719	65	77	107	139	40	70	0.39	0.50
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	**163**	**649**	**106**	**98**	**136**	**187**	**60**	**93**	**0.38**	**0.50**
BENIN	450	436	196	87		4	164	115	0.69	28.86
BURKINA FASO	759	405	308	120		4	261	162	0.61	40.53
CAMEROON	235	502	118	58		2	108	66	0.61	34.89
CENT. AFR. REP.	33	219	7	3			7	3	0.49	
CHAD	283	206	58	51		1	67	41	0.61	82.50
COTE D'IVOIRE	326	427	139	21		2	99	59	0.59	28.99
GUINEA	12	273	3	1			3	1	0.40	
MADAGASCAR				3				3		
MALI	689	441	304	106		5	252	153	0.60	30.63
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	**2,957**	**401**	**1,186**	**466**		**19**	**1,008**	**626**	**0.61**	**32.64**
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	77	351	27	16		1	24	19	0.76	21.16
CONGO, DR				2	7	7		2	0.30	0.30
ZAMBIA	126	356	45	34		2	41	36	0.85	
ZIMBABWE	202	266	54	22		3	39	34	0.80	11.91
S. Africa	**1,421**	**264**	**376**	**218**	**53**	**194**	**218**	**235**	**0.57**	**1.21**
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	324	1	381	370	374	0.50	0.98
C. Asia	**2,057**	**623**	**1,282**	**458**	**4**	**550**	**656**	**537**	**2.10**	**0.98**

2017/18 SUPPLY & USE OF COTTON BY COUNTRY (cont'd) December 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	20	6	20	218	38	0.16	1.93
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	0	0	0	0.19	0.32
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**	**103**	**207**	**235**	**318**	**135**	**0.24**	**0.57**
Including EU-28	**306**	**1,008**	**308**	**67**	**137**	**145**	**283**	**84**	**0.20**	**0.58**
CHINA	3,098	1,693	5,246	10,632	1,343	8,115	14	9,093	1.12	1.12
TAIWAN				25	152	152		25	0.16	0.16
HONG KONG				30	1	0	0	30	61.83	
Sub total	**3,098**	**1,693**	**5,246**	**10,688**	**1,496**	**8,267**	**14**	**9,148**	**1.10**	**1.11**
AUSTRALIA	574	1,711	982	299		6	730	545	0.74	85.75
INDONESIA	8	615	5	147	758	742		168	0.23	0.23
JAPAN				9	57	58		8	0.14	0.14
KOREA, D.R.				1	5	5		1	0.24	0.24
KOREA, REP.				56	236	236		56	0.24	0.24
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	52	276	277		52	0.19	0.19
VIETNAM	2	465	1	180	1,400	1,308		273	0.21	0.21
E. Asia	**602**	**1,652**	**995**	**777**	**2,829**	**2,714**	**750**	**1,137**	**0.33**	**0.42**
AFGHANISTAN	38	387	15	7		4	12	5	0.31	1.20
BANGLADESH	45	764	34	379	1,535	1,437		512	0.36	0.36
INDIA	11,550	540	6,234	1,698	359	5,302	1,070	1,918	0.30	0.36
MYANMAR	249	634	158	62	57	207		69	0.34	0.34
PAKISTAN	3,099	664	2,057	734	268	2,233	26	801	0.35	0.36
SRI LANKA				0	2	2		0	0.09	0.09
S. Asia	**14,984**	**567**	**8,500**	**2,880**	**2,221**	**9,187**	**1,108**	**3,306**	**0.32**	**0.36**
IRAN	79	709	56	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	475	1,747	829	802	717	1,481	54	813	0.53	0.55
Sub total	**598**	**1,550**	**926**	**849**	**791**	**1,638**	**71**	**858**	**0.50**	**0.52**
WORLD TOTAL	**32,538**	**791**	**25,745**	**18,714**	**8,152**	**25,222**	**8,152**	**19,236**	**0.76**	**0.76**

*/ Ending stocks divided by consumption plus exports.
**/ Ending stocks divided by consumption.

Subtotals and total include countries not shown.

The previous issue of *Cotton: Review of the World Situation*, Volume 70, Number 6 was not published, because the dates coincided with the 76th Plenary Meeting held in Uzbekistan