



INTERNATIONAL COTTON ADVISORY COMMITTEE

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EXTRA-FINE COTTON UPDATE

From the Secretariat of the ICAC
March 2, 2015

Changes in Supply and Demand Estimates from the December 2014 Report (Producing Countries)

2014/15:

World Production 434,000 tons (+3,000 tons): China 51,000 tons (+1,000); United States 128,000 tons (+2,000 tons)

Exports 231,000 tons (-11,000 tons): United States 109,000 tons (-11,000 tons)

Local Constraints Limit Response to Higher Prices

Like prices for upland cotton, prices for extra-fine cotton have fallen sharply from the start of the season. Quotes for American Pima peaked at \$2.10/lb in August 2014, but have fallen by 30% to 1.75/lb in February 2015. Quotes for similar growths from Israel and Egypt have fallen on average by 24% since the start of the season. Although prices have fallen, they still remain above price levels observed in 2012/13, and are similar to the price levels seen at the start of 2013/14.

Although the ratio of American Pima cotton prices to the Cotlook A Index has grown in the last three seasons and is currently at 2.75, production in the United States, the largest grower of extra-fine cotton, has fallen from 170,000 tons in 2012/13 to 128,000 tons in 2014/15. The majority of Pima cotton grown in the United States comes from a region that is experiencing severe water shortages, which caused both area and yield to decline in 2014/15. Between 2003/04 and 2011/12, China produced over 100,000 tons of extra-fine cotton each year. However, the introduction of its national reserve policy, which boosted the price of upland cotton, made extra-fine cotton less attractive to plant, and extra-fine cotton production fell to an average of 50,000 tons in each of the following seasons. Egypt's production overtook China's in 2010/11 and Egypt has since been the second largest producer of extra-fine cotton. Egypt's production in the last few seasons peaked in 2011/12 at 180,000 tons, but has generally declined since. However, high prices last spring encouraged farmers to plant more cotton, and production grew 27% to 127,000 tons. Like Egypt, farmers in India also were encouraged by the higher prices for extra-fine cotton, and production grew 9% to 83,000 tons. In Sudan, extra-fine production peaked in the early 2000s at over 40,000 tons, but has decreased sharply since then with no area given to extra-fine cotton in 2014/15. Similarly, extra-fine cotton production in Tajikistan has declined steadily since 2002/03 with virtually no production in 2014/15. The longer growing period, which exposes the crop to more adverse weather risks, as well as less domestic demand for extra-fine cotton has discouraged recovery.

Of the extra-fine producing countries, China, Egypt, and India account for 92% of extra-fine cotton consumption. India alone accounts for 44% of world consumption with mill use in 2014/15 projected to grow by 5% and reach 152,000 tons. Extra-fine cotton production in China is unable to meet domestic demand, and instead China must rely on imports. However, as part of its overall cotton policy, China's imports are considerably restricted, which limits consumption. China's mill use is forecast to fall 19% to 125,000 tons. Egypt's consumption of its long staple extra fine varieties is expected to increase 5% to 41,000 tons due largely to government subsidies offered to encourage mills to use more domestic cotton.

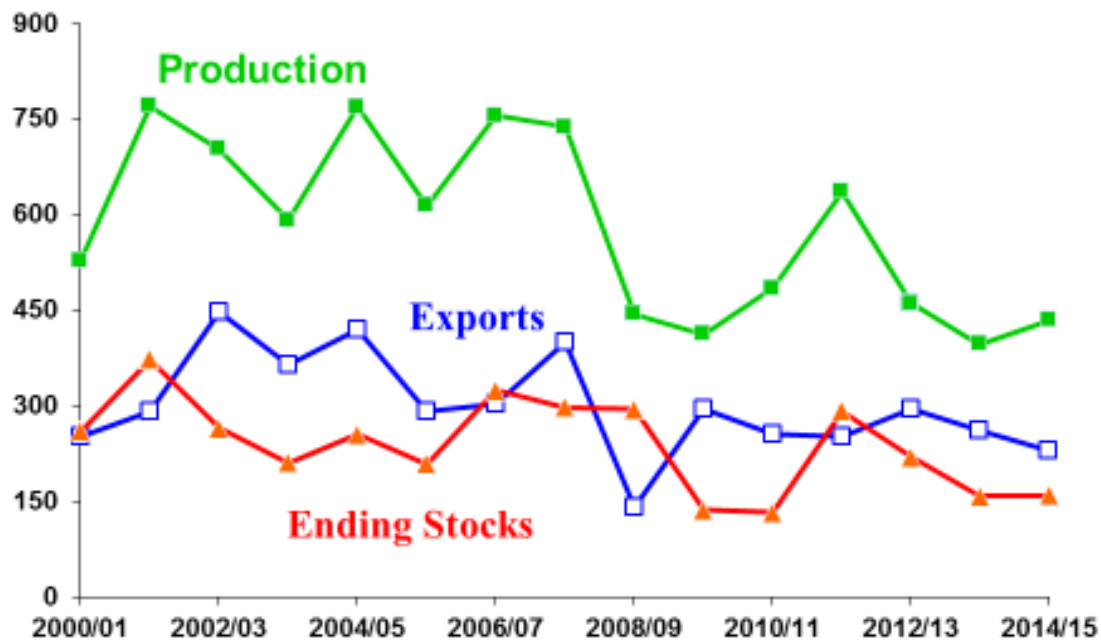
Aside from China and India, most producing countries are expected to have surplus production available to export. Total exports from all producing countries is projected to decline by 12% to 231,000 tons. Given the lack of production in 2014/15 and small carryover stock, Sudan's exports are forecast to decrease from 7,000 tons to 1,000 tons in 2014/15. A smaller exportable surplus of extra-long staple Egyptian varieties explains the decrease in exports from 12,000 tons to 4,000 tons. Exports of Egyptian long staple increased 29% to 75,000 tons. The United States, which is both the largest producer and exporter of extra-fine cotton, is likely to see exports fall 26% to 109,000 tons.

As a result of lower consumption and exports, stocks will increase slightly to 160,000 tons. Nearly all of the increase will occur in the United States and Egypt where production surpluses are not expected to be consumed or exported, offsetting decreases in stocks for most other countries.



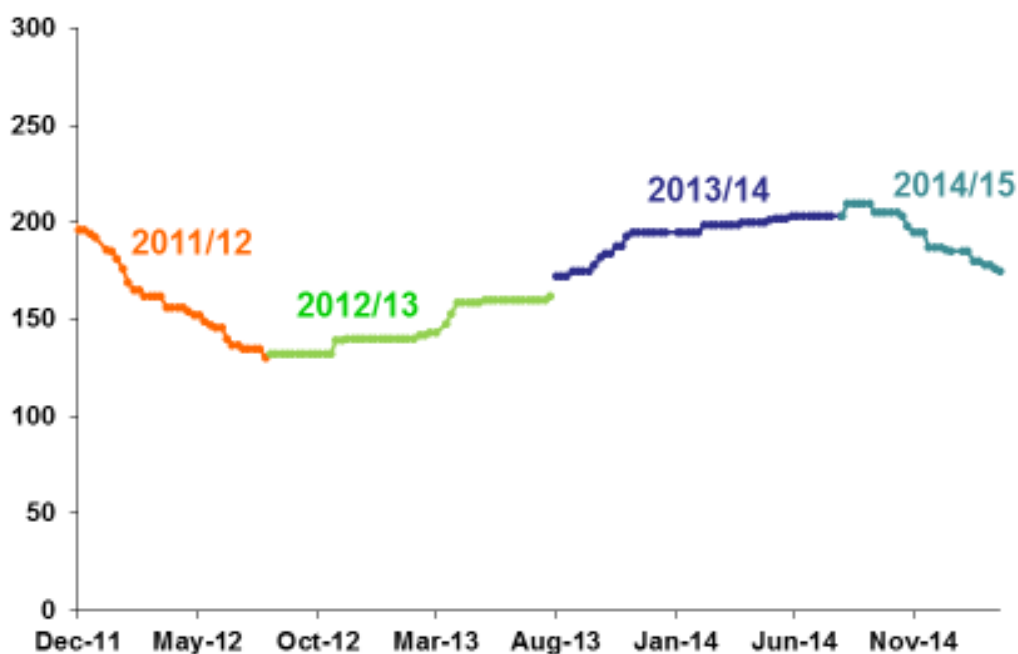
EXTRA-FINE COTTON

Thousand tons



Cotlook Quote for American Pima

U.S. cents/lb.





SALES OF EXTRA-FINE COTTON

World extra-fine cotton export commitments for 2014/15 are estimated at 128,000 tons as of mid-February 2015, accounting for 55% of projected exports. About 76% of 2013/14 exports were committed as of mid-February 2014 for 2013/14. Between mid-December 2014 and mid-February 2015, world export commitments of extra-fine cotton rose by 41,000 tons. U.S. Pima sales for 2014/15 reached 50,000 tons, accounting for 46% of projected exports for the season. As of mid-February 2014, U.S. Pima sales for 2013/14 were at 130,000 tons accounting for 88% of actual exports for the season. The U.S. Pima competitiveness payments are currently not available, as conditions for the payments were not met.

Export commitments by Egypt for 2014/15 are estimated at 39,000 tons as of mid-February 2015 (50% of projected exports) and include carryover sales from 2013/14 estimated at 9,000 tons. Exports commitments by Egypt for 2013/14 were at 36,000 tons as mid-February 2014 and included 14,000 tons of carryover sales from the previous season.

EXTRA-FINE EXPORT COMMITMENTS FOR 2014/15

March 2, 2015

	Total Exports	Commitments February		Sales Remaining
Thousand Tons				
CHINA	5	4	80%	1
EGYPT	79	39	50%	40
ISRAEL	14	14	100%	
SUDAN	1	1	179%	
TAJIKISTAN				
TURKMENISTAN	16	14	90%	2
UNITED STATES	109	50	46%	59
UZBEKISTAN	1	1	100%	
OTHERS	7	5	72%	2
WORLD TOTAL	231	128	55%	103

Commitments include sales for shipment between August 1, 2014 and July 31, 2015.

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SUPPLY OF EXTRA-FINE COTTON*

March 3, 2015

Years Beginning August 1

	2009	2010	2011	2012	2013 Est.	2014 Proj.	2015 Proj.
	Thousand Metric Tons						
BEGINNING STOCKS*							
CHINA	46	32	37	92	82	40	35
EGYPT, ELS	23	7	7	18	10	2	1
EGYPT, L. STPL.	56	30	24	50	34	32	40
INDIA	25	27	24	24	11	22	11
ISRAEL	1	1	1	1	1	1	1
PERU	7	3	8	6	5	4	2
SUDAN	25	5	0	14	7	1	0
TAJIKISTAN	3	1	1	0	1	2	2
TURKMENISTAN	28	20	20	25	25	24	23
UNITED STATES	66	4	6	59	41	27	42
UZBEKISTAN	13	6	2	1	0	1	1
OTHER PRODUCERS	2	2	2	2	3	2	2
TOTAL	295	137	132	292	220	158	160
PRODUCTION							
CHINA	111	125	130	60	38	51	
EGYPT, ELS	13	28	35	9	5	3	
EGYPT, L. STPL.	82	104	145	99	95	124	
INDIA	77	63	70	70	76	83	
ISRAEL	7	7	15	14	11	14	
PERU	5	14	9	9	8	6	
SUDAN	2	4	16	3	1	0	
TAJIKISTAN	1	1	1	2	2	0	
TURKMENISTAN	21	20	18	18	17	18	
UNITED STATES	87	110	185	170	138	128	
UZBEKISTAN	2	2	2	2	2	2	
OTHERS	5	6	7	6	4	4	
TOTAL	412	485	636	461	396	434	
CONSUMPTION*							
CHINA	210	180	140	150	155	125	
EGYPT, ELS	6	1	2	1	1	1	
EGYPT, L. STPL.	71	33	65	72	39	41	
INDIA	145	150	154	155	145	152	
ISRAEL	0	0	0	0	0	0	
PERU	13	14	14	14	13	13	
SUDAN	0	0	0	0	0	0	
TAJIKISTAN	1	1	1	1	1	1	
TURKMENISTAN	4	4	4	4	4	4	
UNITED STATES	5	6	5	5	5	5	
UZBEKISTAN	2	1	1	1	1	1	
OTHER PRODUCERS	7	7	7	7	7	6	
TOTAL	464	396	392	408	369	348	
EXPORTS							
CHINA	5	5	5	5	5	5	
EGYPT, ELS	22	24	21	17	12	4	
EGYPT, L. STPL.	51	76	61	43	58	75	
INDIA	0	0	0	3	2	3	
ISRAEL	7	7	15	14	11	14	
PERU	0	0	0	0	0	0	
SUDAN	21	9	2	10	7	1	
TAJIKISTAN	2	1	1	0	0	0	
TURKMENISTAN	25	16	10	13	15	16	
UNITED STATES	151	108	129	184	148	109	
UZBEKISTAN	7	5	2	1	1	1	
OTHER PRODUCERS	4	4	6	5	4	4	
TOTAL	294	255	252	295	263	231	
TOTAL IMPORTS 1/ STOCKS ADJUSTMENT 2/	170 18	162 -1	163 6	171 0	174 -1	146 0	
ENDSTOCKS/USE, EGYPT	0.25	0.23	0.45	0.33	0.31	0.34	
ENDSTOCKS/USE, USA	0.03	0.05	0.44	0.22	0.18	0.37	
ENDSTOCKS/USE, TOTAL	0.18	0.20	0.45	0.31	0.25	0.28	
COTLOOK QUOTE, AM. PIMA	128	228	179	146	194	194 **	
COTLOOK QUOTE, GIZA 88 2/	132	260	156	154	178	114 **	
RATIO: AM. PIMA/GIZA 88	0.97	0.88	1.15	0.94	1.09	1.70	
RATIO: AM. PIMA/A INDEX	1.66	1.39	1.79	1.66	2.14	2.75 **	

* Producing countries only. Stocks include all cotton physically present in the country, either committed or uncommitted.

** Am. Pima, Giza 86, and Cotlook A Index through February 20, 2015.

1/ Imports of extra-fine cotton by producing countries.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ For 2013/14 and 2014/15 only, the quote is for Giza 86 as there are no quotes available for Giza 88.