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EXTRA-FINE COTTON UPDATE

From the Secretariat of the ICAC
March 2, 2016

Changes in Supply and Demand Estimates from the October 2015 Report (Producing Countries)

2011/12:
World Production 641,000 tons (+1,000 tons): Israel 16,000 tons (+1,000 tons)

2015/16:
World Production 452,000 tons (-3,000 tons): United States 95,000 tons (-3,000 tons)
Exports 189,000 tons (+4,000 tons): Turkmenistan 24,000 tons (+7,000 tons) **;** United States 98,000 tons (-11,000 tons)

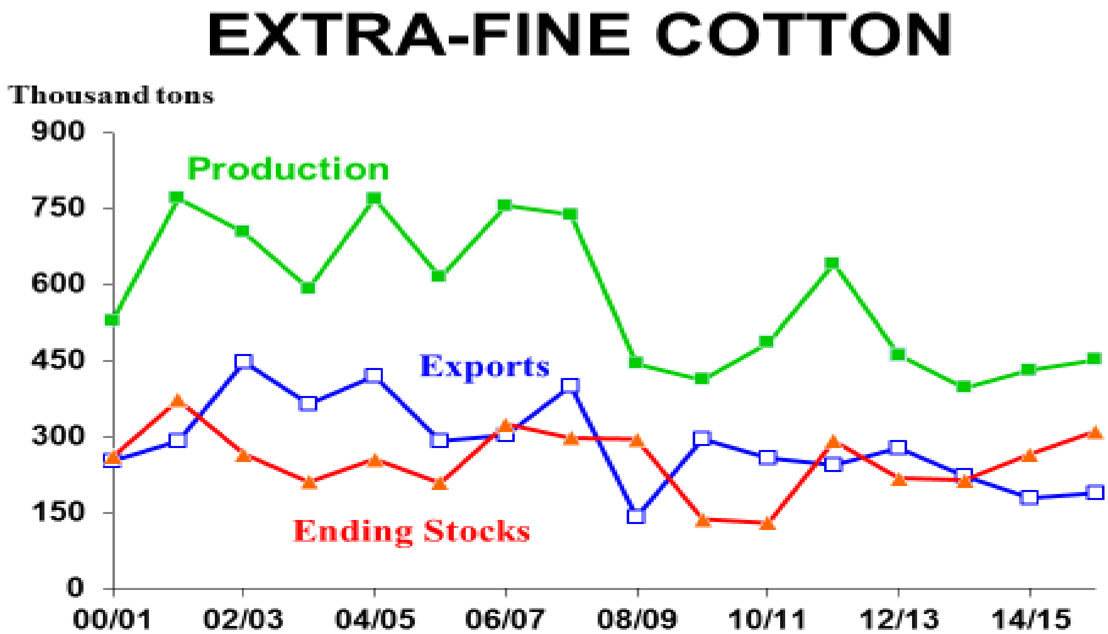
Weak Demand Depresses Prices and Increases Stock

In 2015/16, production of extra-fine cotton production increased by 5% to 452,000 tons. This growth is due to China where production more than doubled to 141,000 tons. Under its stockpiling policy, domestic prices for extra-fine cotton were similar to upland cotton prices and thus, production dropped significantly. However, the Chinese government changed its cotton policy, which increased prices for extra-fine cotton and encouraged farmers to plant more. The increase in China's production volume offsets declines in the other large extra-fine cotton producing countries. Production in the United States decreased by 23% to 95,000 tons as ongoing drought in California, the state in which most of extra-fine cotton is grown, reduced both area and yield in 2015/16. Egypt's production of both long staple and extra-long staple cotton declined by 22% to 82,000 tons and 57% to 2,000 tons, respectively. However, production in Israel is estimated up 3,000 tons to 17,000 tons due to an increase in planted area.

While production of extra-fine cotton production increased in 2015/16, consumption among extra-fine cotton producing countries is expected to be 356,000 tons, which is only a few thousand tons more than was consumed in 2013/14 and 2014/15. At the same time, exports are expected to increase by 5% to 189,000 tons. Since 2011, India has been the largest consumer of extra-fine cotton, and in 2015/16, its consumption is expected to remain stable at 146,000 tons. China's consumption may grow by 5% to 129,000 tons. Egypt's consumption of extra-long staple cotton is expected to remain unchanged at 1,000 tons while its consumption of long stable is projected to decrease by 5% to 52,000 tons.

Prices for extra-fine cotton have fallen sharply from the start of 2014/15 similar to upland cotton prices. However, where prices for upland cotton stabilized in 2015/16, weak demand for extra-fine cotton has depressed prices. Quotes for American Pima started at $2.09/lb in August 2014, but fell by 22% to 1.62/lb at the end of the season. In 2015/16, quotes for American Pima fell from $1.62/lb in August 2015 to $1.44 In February 2016. Quotes for Israeli Pima also experienced a similar drop from $1.60/lb in August 2015 to $1.44/lb in February 2016. Quotes for Israeli Acalpi fell by 4% to $1.28 in February 2016. These prices are similar to the price levels seen at the start of 2012/13.

Given the growth of production against unchanged demand in the last three seasons, ending stocks are expected to climb from 213,000 tons in 2013/14 to 310,000 tons by the end of 2015/16. This will continue to weigh on prices if demand does not pick up.



SALES OF EXTRA-FINE COTTON

World extra-fine cotton export commitments for 2015/16 are estimated at 156,000 tons as of mid-March 2016, accounting for 83% of projected exports. Between mid-January and mid-March 2016, export commitments for 2015/16 rose by 48,000 tons. About 72% of 2014/15 exports were committed as of mid-March 2015.

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U.S. Pima sales for 2015/16 reached 73,000 tons, accounting for 75% of projected exports for the season. As of mid-March 2015, U.S. Pima sales for 2014/15 were at 50,000 tons accounting for 56% 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 2015/16 are estimated at 33,000 tons as of mid-March 2016 (100% of projected exports) and include carryover sales from 2014/15 estimated at 16,000 tons. Exports commitments by Egypt for 2014/15 were at 39,000 tons (91% of actual exports) as mid-March 2015 and included 14,000 tons of carryover sales from the previous season.

EXTRA-FINE EXPORT COMMITMENTS FOR 2015/16

March 2, 2016

	Total Exports	Commitments January		Sales Remaining
		Thousand Tons		
CHINA	5	4	80%	1
EGYPT	33	33	100%	0
ISRAEL	17	17	100%	0
SUDAN	1	1	120%	0
TAJIKISTAN				
TURKMENISTAN	24	18	74%	6
UNITED STATES	98	73	75%	25
UZBEKISTAN	1	1	100%	
OTHERS	10	8	93%	1
WORLD TOTAL	**189**	**156**	**83%**	**33**

Commitments include sales for shipment between August 1, 2015 and July 31, 2016.

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SUPPLY OF EXTRA-FINE COTTON*

February 26, 2016

Years Beginning August 1

	2009	2010	2011	2012	2013 Est.	2014 Est.	2015 Proj.	2016 Proj.
BEGINNING STOCKS*								
CHINA	46	32	37	92	77	70	87	153
EGYPT, ELS	23	7	7	19	9	10	3	0
EGYPT, L. STPL.	56	30	24	52	31	45	62	62
INDIA	25	27	24	24	11	22	22	22
ISRAEL	1	1	1	1	1	1	1	1
PERU	7	3	8	6	5	4	2	1
SUDAN	25	5	0	14	15	8	1	0
TAJIKISTAN	3	1	1	0	1	2	2	2
TURKMENISTAN	28	20	17	22	25	21	26	17
UNITED STATES	66	4	6	59	41	27	56	49
UZBEKISTAN	13	6	2	1	0	1	1	0
OTHER PRODUCERS	2	2	2	2	3	2	2	2
TOTAL	**295**	**137**	**129**	**292**	**218**	**213**	**265**	**310**
PRODUCTION								
CHINA	111	125	130	60	38	65	141	
EGYPT, ELS	13	28	37	10	7	4	2	
EGYPT, L. STPL.	82	105	148	99	94	106	82	
INDIA	77	63	70	70	76	88	82	
ISRAEL	7	7	16	14	11	14	17	
PERU	5	14	9	9	8	6	6	
SUDAN	2	4	16	3	1	0	0	
TAJIKISTAN	1	1	1	2	2	0	1	
TURKMENISTAN	21	20	18	18	17	20	18	
UNITED STATES	87	110	185	170	138	123	95	
UZBEKISTAN	2	2	2	2	2	2	1	
OTHERS	5	6	7	6	5	5	8	
TOTAL	**412**	**485**	**641**	**461**	**397**	**432**	**452**	
CONSUMPTION*								
CHINA	210	180	140	150	120	123	129	
EGYPT, ELS	6	1	3	3	1	1	1	
EGYPT, L. STPL.	71	33	78	84	58	55	52	
INDIA	145	150	154	155	145	146	146	
ISRAEL	0	0	0	0	0	0	0	
PERU	13	14	14	14	13	13	13	
SUDAN	0	0	0	0	0	0	0	
TAJIKISTAN	1	1	1	1	1	1	1	
TURKMENISTAN	4	4	4	4	3	3	3	
UNITED STATES	5	6	5	5	5	5	5	
UZBEKISTAN	2	1	1	1	1	1	1	
OTHER PRODUCERS	7	7	7	7	7	6	6	
TOTAL	**464**	**396**	**406**	**423**	**352**	**353**	**356**	
EXPORTS								
CHINA	5	5	5	5	5	5	5	
EGYPT, ELS	22	24	25	17	4	10	3	
EGYPT, L. STPL.	51	76	48	35	21	33	30	
INDIA	0	0	0	3	2	3	3	
ISRAEL	7	7	16	14	11	14	17	
PERU	0	0	0	0	0	0	0	
SUDAN	21	9	2	2	8	6	1	
TAJIKISTAN	2	1	1	0	0	0	0	
TURKMENISTAN	25	18	10	11	18	13	24	
UNITED STATES	151	108	129	184	148	89	98	
UZBEKISTAN	7	5	2	1	1	1	1	
OTHER PRODUCERS	4	4	6	5	4	5	7	
TOTAL	**294**	**258**	**244**	**278**	**223**	**179**	**189**	
TOTAL IMPORTS 1/	170	162	163	166	174	152	138	
STOCKS ADJUSTMENT 2/	18	-1	9	0	-1	0	0	
ENDSTOCKS/USE, EGYPT	**0.25**	**0.23**	**0.46**	**0.28**	**0.65**	**0.65**	**0.72**	
ENDSTOCKS/USE, USA	**0.03**	**0.05**	**0.44**	**0.22**	**0.18**	**0.60**	**0.47**	
ENDSTOCKS/USE, TOTAL	**0.18**	**0.20**	**0.45**	**0.31**	**0.37**	**0.50**	**0.57**	
COTLOOK QUOTE, AM. PIMA	**128**	**228**	**179**	**146**	**194**	**182**	**155**	
COTLOOK QUOTE, GIZA 88 3/	**132**	**260**	**156**	**154**	**178**	**113**	**114**	
RATIO: AM. PIMA/GIZA 88	**0.97**	**0.88**	**1.15**	**0.94**	**1.09**	**1.61**	**1.37**	
RATIO: AM. PIMA/A INDEX	**1.66**	**1.39**	**1.79**	**1.66**	**2.14**	**2.57**	**2.24**	

* 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 25, 2016.

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.