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EXTRA-FINE COTTON UPDATE

From the Secretariat of the ICAC
June 29, 2015

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

2010/11:
World Exports 258,000 tons (+3,000 tons): Turkmenistan 18,000 tons (+3,000 tons)

2011/12:
World Exports 244,000 tons (-8,000 tons): Egypt ELS 25,000 tons (+4,000); Egypt LS 48,000 tons (-12,000)

2012/13:
World Exports 290,000 tons (-5,000 tons): Egypt LS 35,000 tons (-8,000); Turkmenistan 16,000 tons (+3,000 tons)

2013/14:
World Production 391,000 tons (+3,000 tons): Egypt LS 89,000 tons (-6,000)
Exports 218,000 tons (-40,000 tons): Egypt ELS 4,000 tons (-8,000); Egypt LS 21,000 tons (-36,000); Turkmenistan 14,000 tons (+4,000 tons)

2014/15:
World Production 425,000 tons (-10,000 tons): China 55,000 tons (+4,000); Egypt ELS 4,000 tons (+1,000); Egypt LS 109,000 tons (-15,000)
Exports 174,000 tons (-38,000 tons): Egypt ELS 8,000 tons (+4,000); Egypt LS 39,000 tons (-36,000); Turkmenistan 12,000 tons (+5,000 tons); United States 87,000 tons (-11,000 tons)

Prices and Policies Influence Planting in 2015/16

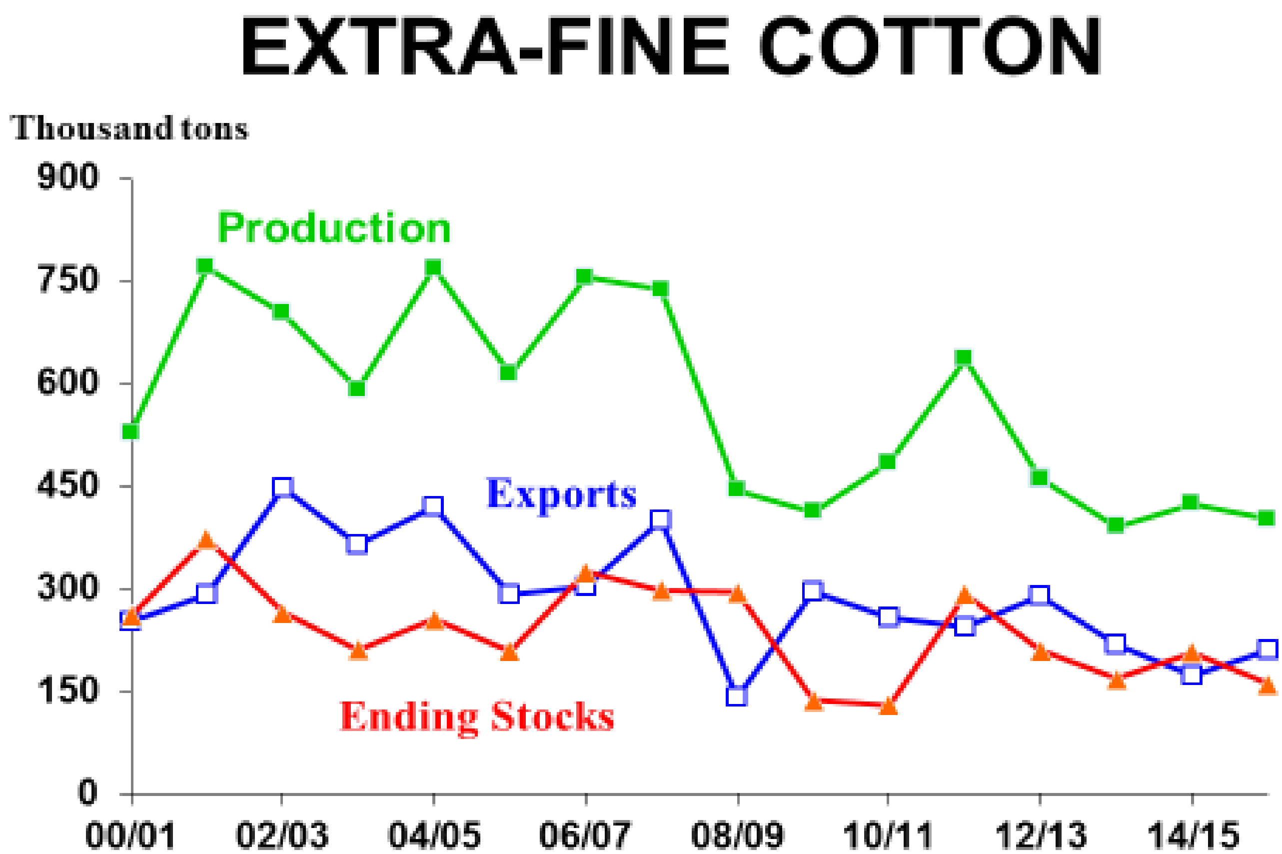
In many countries prices for extra-fine cotton have fallen in 2014/15 compared with 2013/14. As a result, area planted with extra-fine cotton is likely to decrease. American Pima prices have fallen 5%, from 194 cts/lb in 2013/14 to 184 cts/lb in 2014/15. In addition, several years of severe drought in California, the largest extra-fine cotton producing state in the United States, have limited irrigation supplies. Accordingly, production in the United States is projected to fall from 123,000 tons in 2014/15 to 102,000 tons in 2015/16. Egypt's cotton production has been steadily declining over several decades due to changes in policy, rising production costs and competition from other crops. In 2014/15, the Egyptian government introduced a production subsidy for the first time, and production of long staple cotton increased 22% to 109,000 tons while extra-long staple cotton production remained stable. However, no subsidies will be provided in 2015/16, and production is forecast down for both extra-long and long staple cotton to 2,000 tons and 79,000 tons, respectively. Production in India is projected to decrease from 88,000 tons in 2014/15 to 82,000 tons in 2015/16 due in part to reductions in yield and profitability of extra-fine cotton varieties. Production in Turkmenistan and Israel, which are generally smaller producers, is expected to remain stable in 2015/16 with production reaching 19,000 tons for Turkmenistan and 14,000 tons for Israel. China is the sole exception where production is expected to increase because of change in national cotton policy. When China ended its reserve policy, it also enacted a premium for extra-fine cotton, which boosted production in 2014/15 by 44% to 55,000 tons. Given that the policy remains in place and domestic prices for upland cotton have eroded since spring 2014, extra-fine cotton production in China is forecast to increase 68% to 92,000 tons in 2015/16.

In 2014/15, consumption of extra-fine cotton among extra-fine cotton producers fell 8% to 355,000 tons. However, in 2015/16, extra-fine cotton consumption is forecast to recover 3% to 374,000 tons. China, India, and Egypt are expected to remain the three largest consumers of extra-fine cotton among extra-fine cotton producing countries. In past seasons, Egypt's government provided a subsidy to local mills to purchase domestic cotton. However, the subsidy had limited impact due to the fact that many spinning mills are more suited for shorter staple cotton and domestic cotton prices were still relatively high even with a subsidy. In 2015, the Egyptian government announced that it would not be providing a subsidy to mills this year and instead encouraged mills to enter into contracts with producers to meet purchasing needs.

As a result of these policy changes, consumption of extra-fine cotton in Egypt is projected down by 50% to less than 1,000 tons for extra-long staple varieties and by 5% to 52,000 tons for long staple varieties. India's consumption of extra-fine cotton relies largely on imports, which are supplemented by domestic production. Due to limited stock available for import and a decrease in production, India's extra-fine cotton consumption is projected down 6% to 137,000 tons in 2015/16. China's consumption is expected to increase 20% to 150,000 tons in 2015/16 as its spinning sector increasingly turns to higher quality yarn and as production of domestic extra-fine cotton has risen with the changes in its cotton policy.

Exports of extra-fine cotton are forecast up 21% to 210,000 tons in 2015/16, as increased exports from the United States, Egypt, and Turkmenistan offset decreases in the other producing countries. Exports from the United States are projected to increase 38% to 120,000 tons and from Turkmenistan to increase 20% to 15,000 tons. In Egypt, exports of extra-long staple cotton are forecast down 58% to 3,000 tons due to low production while exports of long staple cotton are up 16% to 46,000 tons due to lower domestic consumption.

After increasing 33% to 207,000 tons in 2014/15, ending stocks are expected to decrease 23% to 160,000 tons by the end of 2015/16 as a result of lower production and higher consumption.



SALES OF EXTRA-FINE COTTON

World extra-fine cotton export commitments for 2014/15 are estimated at 192,000 tons as of mid-June 2015, accounting for 115% of projected exports. Some of the committed sales are expected to be carried over for shipment during 2015/16. About 113% of 2013/14 exports were committed as of mid-June 2014. Between mid-April 2015 and mid-June 2015, world export commitments of extra-fine cotton rose by 32,000 tons. U.S. Pima sales for 2014/15 reached 95,000 tons, accounting for 109% of projected exports for the season. As of mid-June 2014, U.S. Pima sales for 2013/14 were at 152,000 tons and accounted for 103% of actual exports for the season. The U.S. Pima competitiveness payments are currently not available, since the conditions for the payments have not been met.

Export commitments by Egypt for 2014/15 are estimated at 57,000 tons as of mid-June 2015 (140% of projected exports) and include carryover sales from 2013/14 estimated at 9,000 tons. Exports commitments by Egypt for 2013/14 were at 52,000 tons (88% of actual exports) as mid-June 2014 and included 14,000 tons of carryover sales from the previous season.

EXTRA-FINE EXPORT COMMITMENTS FOR 2014/15

June 25, 2015

	Total Exports	Commitments June		Sales Remaining
		Thousand Tons		
CHINA	5	5	100%	
EGYPT	41	57	140%	(16)
ISRAEL	14	14	100%	
SUDAN	1	1	179%	
TAJIKISTAN				
TURKMENISTAN	12	12	100%	
UNITED STATES	87	95	109%	(8)
UZBEKISTAN	1	1	80%	
OTHERS	7	5	101%	
WORLD TOTAL	**167**	**192**	**115%**	**(24)**

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

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SUPPLY OF EXTRA-FINE COTTON*

June 24, 2015

Years Beginning August 1

	2009	2010	2011	2012	2013 Est.	2014 Proj.	2015 Proj.
BEGINNING STOCKS*							
CHINA	46	32	37	92	82	40	35
EGYPT, ELS	23	7	7	19	8	8	2
EGYPT, L. STPL.	56	30	24	52	31	41	55
INDIA	25	27	24	24	11	22	22
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	17	22	20	20	25
UNITED STATES	66	4	6	59	41	27	59
UZBEKISTAN	13	6	2	1	0	1	1
OTHER PRODUCERS	2	2	2	2	3	2	2
TOTAL	**295**	**137**	**129**	**292**	**210**	**169**	**207**
PRODUCTION							
CHINA	111	125	130	60	38	55	92
EGYPT, ELS	13	28	35	9	5	4	2
EGYPT, L. STPL.	82	104	145	99	89	109	79
INDIA	77	63	70	70	76	88	82
ISRAEL	7	7	15	14	11	14	14
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	19
UNITED STATES	87	110	185	170	138	123	102
UZBEKISTAN	2	2	2	2	2	2	1
OTHERS	5	6	7	6	4	4	4
TOTAL	**412**	**485**	**636**	**461**	**391**	**425**	**402**
CONSUMPTION*							
CHINA	210	180	140	150	155	125	150
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	137
ISRAEL	0	0	0	0	0	0	0
PERU	13	14	14	14	13	13	10
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**	**387**	**355**	**365**
EXPORTS							
CHINA	5	5	5	5	5	5	5
EGYPT, ELS	22	24	25	17	4	8	3
EGYPT, L. STPL.	51	76	48	35	21	39	46
INDIA	0	0	0	3	2	3	3
ISRAEL	7	7	15	14	11	14	14
PERU	0	0	0	0	0	0	0
SUDAN	21	9	2	10	7	1	0
TAJIKISTAN	2	1	1	0	0	0	0
TURKMENISTAN	25	18	10	16	14	12	15
UNITED STATES	151	108	129	184	148	87	120
UZBEKISTAN	7	5	2	1	1	1	1
OTHER PRODUCERS	4	4	6	5	4	4	4
TOTAL	**294**	**258**	**244**	**290**	**218**	**174**	**210**
TOTAL IMPORTS 1/	170	162	163	171	174	142	126
STOCKS ADJUSTMENT 2/	18	-1	14	0	-1	0	0
ENDSTOCKS/USE, EGYPT	**0.25**	**0.23**	**0.46**	**0.28**	**0.57**	**0.56**	**0.36**
ENDSTOCKS/USE, USA	**0.03**	**0.05**	**0.44**	**0.22**	**0.18**	**0.64**	**0.30**
ENDSTOCKS/USE, TOTAL	**0.18**	**0.20**	**0.45**	**0.29**	**0.28**	**0.39**	**0.28**
COTLOOK QUOTE, AM. PIMA	**128**	**228**	**179**	**146**	**194**	**184**	
COTLOOK QUOTE, GIZA 88 3/	**132**	**260**	**156**	**154**	**178**	**113**	
RATIO: AM. PIMA/GIZA 88	**0.97**	**0.88**	**1.15**	**0.94**	**1.09**	**1.63**	
RATIO: AM. PIMA/A INDEX	**1.66**	**1.39**	**1.79**	**1.66**	**2.14**	**2.58**	

* 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 June 18, 2015

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