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## **EXTRA-FINE COTTON UPDATE**

From the Secretariat of the ICAC  
June 26, 2017

### **Changes in Supply and Demand Estimates from the December 2016 Report (Producing Countries)**

**2011/12:**

**World Production: 641,000 tons (+1,000 tons):** Egypt extra-long staple 5,000 tons (-2,000 tons); Egypt long staple 145,000 tons (-2,000 tons)

**2013/14:**

**World Production: 390,000 tons (-7,000 tons):** Egypt extra-long staple 40,000 tons (+3,000 tons); Egypt long staple 89,000 tons (-5,000 tons)

**2015/16:**

**World Production: 427,000 tons (-3,000 tons):** Egypt long staple 52,000 tons (-1,000 tons); Israel 17,000 (-2,000 tons)

**Exports: 222,000 tons (-1,000 tons):** Israel 17,000 tons (-1,000 tons)

**2016/17:**

**World Production: 494,000 tons (+6,000 tons):** China 197,000 tons (+14,000 tons); Egypt long staple 36,000 tons (-9,000 tons); United States 124,000 (+1,000 tons)

**Exports: 227,000 tons (+2,000 tons):** United States 135,000 tons (+2,000 tons)

### **Losses in China to Offset Increases in other Producers in 2017/18**

Prices for extra-fine cotton rose during the first three months of 2016/17, but have remained fairly flat for the rest of the season. Currently prices are around the same level as at the end of 2012/13. At the same time, prices for upland cotton have remained strong, which has discouraged planting of extra-fine cotton in some countries. Decreased planting in several countries will offset expansion in other countries so that global production of extra-fine cotton is projected to decline by 3% to 480,000 tons.

Production of extra-fine cotton in China fell to just 38,000 tons in 2013/14, but recovered in the following three seasons, reaching 200,000 tons in 2016/17. However, production is forecast to decrease by 48% to 103,000 tons in 2017/18. The expected return for extra-fine at the time of planting was much less than for upland cotton, so area was reduced, particularly as the abundant crop in 2016/17 put downward pressure on prices. Additionally, adverse weather conditions in parts of Xinjiang delayed planting. Cotton production in Egypt will more than double in 2017/18 with extra-long staple cotton growing from 2,000 tons to 5,000 tons and long staple from 36,000 tons to 90,000 tons. Prices in Egypt were high in 2016/17 as a result of the devaluation of the Egyptian pound, tight supplies and increased demand. Production of U.S. Pima is forecast to grow by 23% to 152,000 tons in 2017/18. Improved drought conditions and prices have encouraged farmers to expand extra-fine cotton area. Price quotes for American Pima increased from 151 cents per pound in 2015/16 to an average of 165 cents per pound in 2016/17. Israel's production of extra-fine cotton is projected to decrease from 14,000 tons in 2016/17 to 13,000 tons in 2017/18 due lower prices and relatively lower yields in 2016/17.

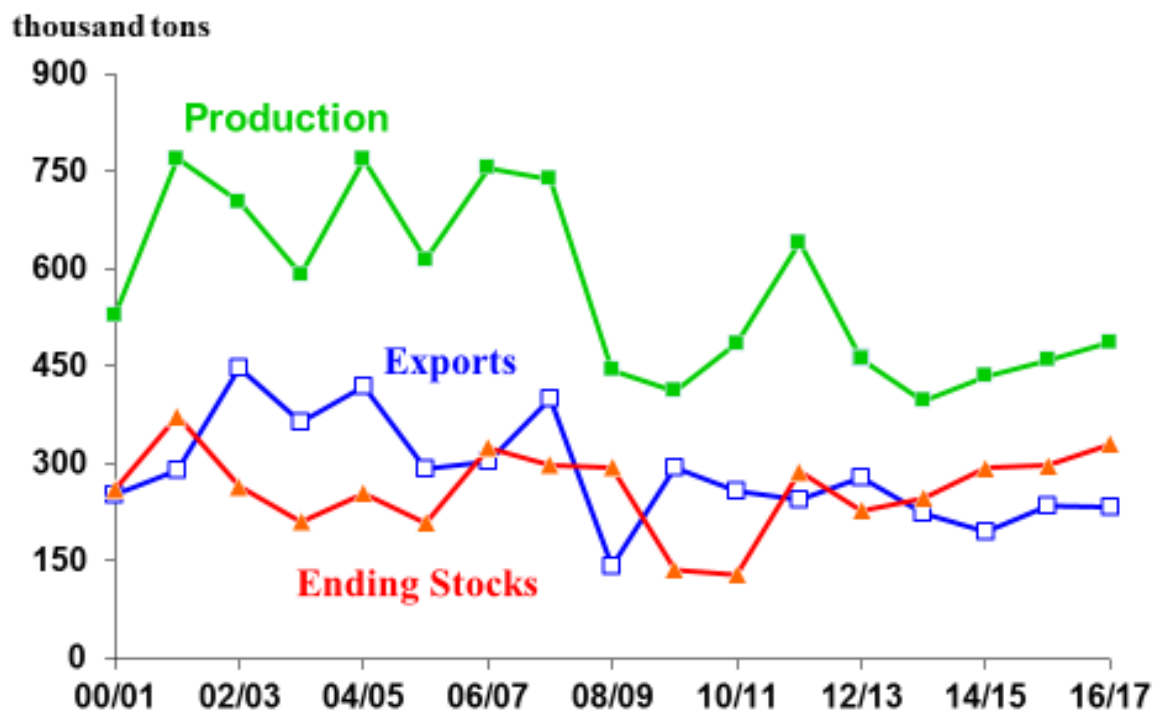
After two seasons of stability, consumption of extra-fine cotton among extra-fine cotton producers is projected to grow by 2% to 341,000 tons in 2017/18. India, China, and Egypt are expected to remain the three largest consumers of extra-fine cotton among extra-fine cotton producing countries. Consumption of extra-fine cotton in Egypt is projected up by 10% to 2,000 tons for extra-long staple varieties and by 10% to 28,000 tons for long staple varieties. Demand from local spinners is expected to increase as a result of the high return from yarn exports after the devaluation of the Egyptian pound and increased global demand for Egyptian cotton products after the revelation of products fraudulently labeled as 100% Egyptian cotton. India's consumption of extra-fine cotton relies largely on imports, which are supplemented by domestic production. Limited stock available for import will likely be offset by an increase in production, and India's extra-fine cotton consumption is projected to remain stable at 147,000 tons in 2017/18. China's consumption is expected to increase 3% to 139,000 tons in 2017/18 as its spinning sector increasingly turns to higher quality yarn.



In 2016/17, exports of extra-fine cotton are expected to increase by 2% to 227,000 tons as increased exports from the United States and Egypt offset decreases in the other producing countries. Exports from the United States are projected to increase 16% to 135,000 tons, and exports of long-staple cotton in Egypt are forecast to increase by 10% to 23,000 tons. However, in 2017/18, exports of extra-fine cotton are forecast down 3% to 220,000 tons due largely to the lower volume of production. Exports from the United States, the largest exporter of extra-fine cotton in recent seasons, are relatively unchanged. Exports from Egypt of extra-long cotton are forecast to be stable at 1,200 tons while exports of long staple cotton are expected to increase by 10% to 25,000 tons. Exports in nearly all other producing countries are likely to decline.

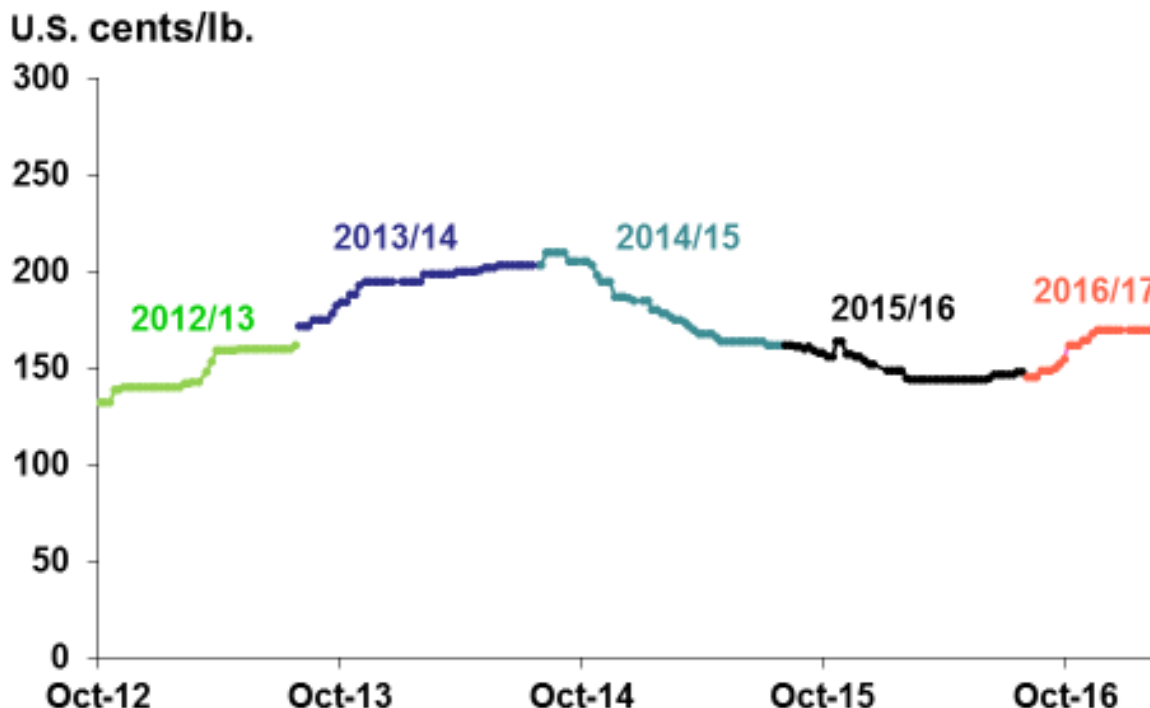
After increasing 33% to 207,000 tons in 2014/15, ending stocks are expected to decrease 23% to 160,000 tons by the end of 2015/16 as a result of lower production and higher consumption.

## EXTRA-FINE COTTON





## Cotlook Quote for American Pima



### SALES OF EXTRA-FINE COTTON

World extra-fine cotton export commitments for 2016/17 are estimated at 251,000 tons as of mid-June 2017, accounting for 112% of projected exports for the season. Between mid-April 2017 and mid-June 2017, export commitments for 2016/17 rose by 16,000 tons. It is expected that a portion of the 2016/17 sales will be shipped during 2017/18. About 115% of 2015/16 exports were committed as of mid-June 2016.

U.S. Pima sales for 2016/17 reached 142,000 tons, accounting for 107% of projected exports for the season. As of mid-June 2016, U.S. Pima sales for 2015/16 were at 95,000 tons accounting for 109% 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 2016/17 are estimated at 41,000 tons as of mid-June 2017 (170% of projected exports) and include carryover sales from 2015/16 estimated at 6,000 tons. Exports commitments by Egypt for 2015/16 were at 57,000 tons (140% of actual exports) as mid-June 2015 and included 14,000 tons of carryover sales from the previous season.

**EXTRA-FINE EXPORT COMMITMENTS FOR 2016/17**

June 23, 2017

|                      | <b>Total<br/>Exports</b> | <b>Commitments<br/>January</b> | <b>Sales<br/>Remaining</b> |
|----------------------|--------------------------|--------------------------------|----------------------------|
| <b>Thousand Tons</b> |                          |                                |                            |
| CHINA                | 20                       | 20                             | 100%                       |
| EGYPT                | 24                       | 41                             | 171%                       |
| ISRAEL               | 14                       | 14                             | 100%                       |
| SUDAN                | 1                        | 1                              | 100%                       |
| TAJIKISTAN           | 0                        | 0                              | 100%                       |
| TURKMENISTAN         | 23                       | 23                             | 100%                       |
| UNITED STATES        | 133                      | 142                            | 107%                       |
| UZBEKISTAN           | 1                        | 1                              | 100%                       |
| OTHERS               | 10                       | 10                             | 100%                       |
| <b>WORLD TOTAL</b>   | <b>225</b>               | <b>251</b>                     | <b>112%</b>                |

(17)

(9)

(26)

*Commitments include sales for shipment between August 1, 2016 and July 31, 2017.*

# SUPPLY OF EXTRA-FINE COTTON\*

June 26, 2017

Years Beginning August 1

|                                  | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018       |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
|                                  |             |             | Est.        | Est.        | Est.        | Proj.       | Proj.       | Proj.      |
| <b>BEGINNING STOCKS*</b>         |             |             |             |             |             |             |             |            |
| CHINA                            | 37          | 92          | 77          | 70          | 60          | 86          | 160         | 109        |
| EGYPT, ELS                       | 7           | 19          | 7           | 5           | 3           | 3           | 3           | 3          |
| EGYPT, L. STPL.                  | 25          | 24          | 24          | 16          | 13          | 11          | 9           | 10         |
| INDIA                            | 24          | 24          | 11          | 27          | 27          | 27          | 27          | 27         |
| ISRAEL                           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1          |
| PERU                             | 8           | 6           | 5           | 4           | 2           | 6           | 6           | 6          |
| SUDAN                            | 0           | 14          | 15          | 8           | 1           | 0           | 0           | 0          |
| TAJIKISTAN                       | 1           | 0           | 0           | 1           | 0           | 0           | 0           | 1          |
| TURKMENISTAN                     | 17          | 22          | 25          | 21          | 21          | 6           | 6           | 1          |
| UNITED STATES                    | 6           | 59          | 41          | 27          | 56          | 30          | 14          | 24         |
| UZBEKISTAN                       | 2           | 1           | 0           | 1           | 1           | 0           | 0           | 0          |
| OTHER PRODUCERS                  | 2           | 2           | 3           | 2           | 2           | 2           | 3           | 3          |
| <b>TOTAL</b>                     | <b>130</b>  | <b>264</b>  | <b>209</b>  | <b>183</b>  | <b>188</b>  | <b>173</b>  | <b>228</b>  | <b>186</b> |
| <b>PRODUCTION</b>                |             |             |             |             |             |             |             |            |
| CHINA                            | 130         | 60          | 38          | 65          | 125         | 197         | 103         |            |
| EGYPT, ELS                       | 40          | 9           | 5           | 4           | 2           | 2           | 5           |            |
| EGYPT, L. STPL.                  | 145         | 99          | 89          | 106         | 52          | 36          | 90          |            |
| INDIA                            | 70          | 70          | 76          | 88          | 94          | 77          | 81          |            |
| ISRAEL                           | 16          | 14          | 11          | 14          | 17          | 13.7        | 12.7        |            |
| PERU                             | 9           | 9           | 8           | 6           | 11          | 9           | 9           |            |
| SUDAN                            | 16          | 3           | 1           | 0           | 0           | 1           | 1           |            |
| TAJIKISTAN                       | 1           | 2           | 2           | 0           | 1           | 1           | 1           |            |
| TURKMENISTAN                     | 18          | 18          | 17          | 20          | 23          | 24          | 19          |            |
| UNITED STATES                    | 185         | 170         | 138         | 123         | 94          | 124         | 152         |            |
| UZBEKISTAN                       | 2           | 2           | 2           | 2           | 1           | 1           | 0           |            |
| OTHERS                           | 7           | 6           | 5           | 9           | 8           | 8           | 6           |            |
| <b>TOTAL</b>                     | <b>640</b>  | <b>461</b>  | <b>390</b>  | <b>436</b>  | <b>427</b>  | <b>494</b>  | <b>480</b>  |            |
| <b>CONSUMPTION*</b>              |             |             |             |             |             |             |             |            |
| CHINA                            | 140         | 150         | 120         | 123         | 130         | 135         | 139         |            |
| EGYPT, ELS                       | 3           | 3           | 1           | 3           | 2           | 2           | 2           |            |
| EGYPT, L. STPL.                  | 78          | 84          | 58          | 36          | 34          | 25          | 28          |            |
| INDIA                            | 154         | 155         | 145         | 146         | 146         | 147         | 147         |            |
| ISRAEL                           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |            |
| PERU                             | 14          | 14          | 13          | 13          | 13          | 13          | 13          |            |
| SUDAN                            | 0           | 0           | 0           | 0           | 0           | 0           | 0           |            |
| TAJIKISTAN                       | 1           | 1           | 1           | 1           | 0           | 0           | 0           |            |
| TURKMENISTAN                     | 4           | 3           | 3           | 1           | 1           | 2           | 2           |            |
| UNITED STATES                    | 5           | 5           | 5           | 5           | 5           | 5           | 5           |            |
| UZBEKISTAN                       | 1           | 1           | 1           | 1           | 1           | 0           | 0           |            |
| OTHER PRODUCERS                  | 7           | 7           | 7           | 6           | 6           | 6           | 5           |            |
| <b>TOTAL</b>                     | <b>406</b>  | <b>422</b>  | <b>352</b>  | <b>334</b>  | <b>338</b>  | <b>335</b>  | <b>341</b>  |            |
| <b>EXPORTS</b>                   |             |             |             |             |             |             |             |            |
| CHINA                            | 5           | 5           | 5           | 10          | 18          | 20          | 15          |            |
| EGYPT, ELS                       | 25          | 17          | 4           | 3           | 1           | 1.1         | 1.2         |            |
| EGYPT, L. STPL.                  | 48          | 36          | 21          | 36          | 21          | 23          | 25.3        |            |
| INDIA                            | 0           | 3           | 2           | 3           | 3           | 3           | 3           |            |
| ISRAEL                           | 16          | 14          | 11          | 14          | 17          | 14          | 13          |            |
| PERU                             | 0           | 0           | 0           | 0           | 0           | 0           | 0           |            |
| SUDAN                            | 2           | 2           | 8           | 6           | 1           | 1           | 1           |            |
| TAJIKISTAN                       | 1           | 1           | 1           | 0           | 0           | 0           | 0           |            |
| TURKMENISTAN                     | 10          | 12          | 18          | 19          | 37          | 23          | 22          |            |
| UNITED STATES                    | 129         | 184         | 148         | 89          | 116         | 135         | 136         |            |
| UZBEKISTAN                       | 2           | 1           | 1           | 1           | 1           | 1           | 0           |            |
| OTHER PRODUCERS                  | 6           | 5           | 4           | 7           | 7           | 7           | 5           |            |
| <b>TOTAL</b>                     | <b>244</b>  | <b>280</b>  | <b>223</b>  | <b>189</b>  | <b>222</b>  | <b>227</b>  | <b>220</b>  |            |
| <b>IMPORTS*</b>                  |             |             |             |             |             |             |             |            |
| TOTAL IMPORTS 1/                 | 163         | 166         | 179         | 131         | 116         | 114         | 77          |            |
| STOCKS ADJUSTMENT 2/             | -19         | 20          | -20         | -38         | 1           | 10          | -38         |            |
| <b>ENDSTOCKS/USE, EGYPT</b>      | <b>0.28</b> | <b>0.23</b> | <b>0.25</b> | <b>0.21</b> | <b>0.24</b> | <b>0.23</b> | <b>0.23</b> |            |
| <b>ENDSTOCKS/USE, USA</b>        | <b>0.44</b> | <b>0.22</b> | <b>0.18</b> | <b>0.60</b> | <b>0.24</b> | <b>0.10</b> | <b>0.17</b> |            |
| <b>ENDSTOCKS/USE, TOTAL</b>      | <b>0.41</b> | <b>0.30</b> | <b>0.32</b> | <b>0.36</b> | <b>0.31</b> | <b>0.41</b> | <b>0.33</b> |            |
| <b>COTLOOK QUOTE, AM. PIMA</b>   | <b>179</b>  | <b>146</b>  | <b>194</b>  | <b>182</b>  | <b>153</b>  | <b>164</b>  |             |            |
| <b>COTLOOK QUOTE, GIZA 88 3/</b> | <b>156</b>  | <b>154</b>  | <b>178</b>  | <b>113</b>  | <b>114</b>  | <b>162</b>  |             |            |
| <b>RATIO: AM. PIMA/GIZA 88</b>   | <b>1.15</b> | <b>0.94</b> | <b>1.09</b> | <b>1.61</b> | <b>1.34</b> | <b>1.01</b> |             |            |
| <b>RATIO: AM. PIMA/A INDEX</b>   | <b>1.79</b> | <b>1.66</b> | <b>2.14</b> | <b>2.57</b> | <b>2.22</b> | <b>2.01</b> |             |            |

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

\*\* Am. Pima, Giza 88 and Cotlook A Index through June 15, 2017.

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, 2014/15 and 2015/16, the quote is for Giza 86 as there are no quotes available for Giza 88.