INTERNATIONAL COTTON ADVISORY COMMITTEE
1629 K Street NW, Suite 702, Washington DC 20006 USA
Telephone +1-202-463-6660 • Fax +1-202-463-6950 • email secretariat@icac.org

Discover Natural Fibres Initiative

EXTRA-FINE COTTON UPDATE

From the Secretariat of the ICAC
June 28, 2016

Changes in Supply and Demand Estimates from the April 2016 Report (Producing Countries)

2014/15:
Exports 190,000 tons (+7,000 tons): China 5,000 tons (+5,000 tons); Turkmenistan 19,000 tons (+2,000 tons)

2015/16:
World Production 469,000 tons (+13,000 tons): China 155,000 (+14,000 tons); Israel 19,000 tons (+1,000 tons); others 5,000 tons (-2,000 tons)
Exports 219,000 tons (+12,000 tons): China 18,000 tons (+13,000 tons); Egypt long staple 32,000 tons (+2,000 tons); Israel 18,000 tons (+1,000 tons); Turkmenistan 27,000 tons (-10,000 tons); United States 112,000 tons (+9,000 tons); others 4,000 tons (-3,000 tons)

Stocks Tighten in 2016/17 Due to Lower Production and Strong Demand

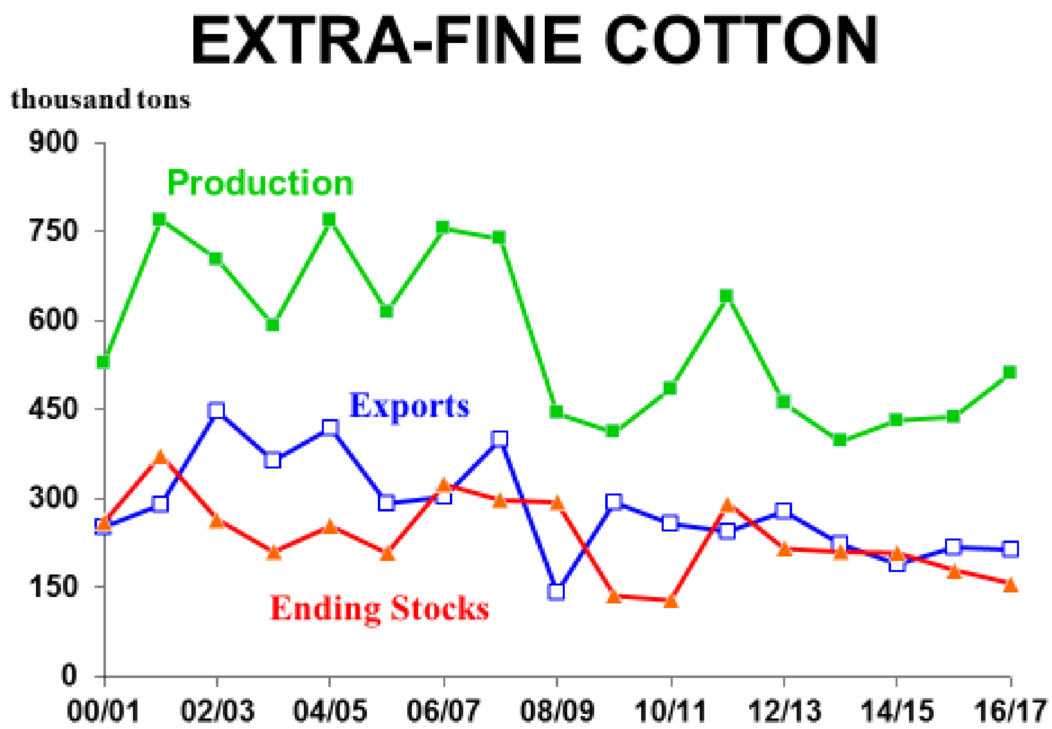
After falling sharply in 2014/15 and the first half of 2015/16, prices for extra-fine cotton have remained stable. Quotes for American Pima fell from $1.62/lb in August 2015 to $1.49/lb in January 2016, but have remained around $1.44/lb from February through mid-June 2016. Quotes for Israeli Pima also experienced a similar drop from $1.60/lb in August 2015 to $1.47/lb in January 2016, but have averaged $1.44/lb since February. Quotes for Israeli Acalpi fell by 4% to $1.28 in February 2016 and have remained at this level through June 2016. However, price quotes for both American and Israeli Pima have risen slightly in the last two weeks of June as stocks have tightened.

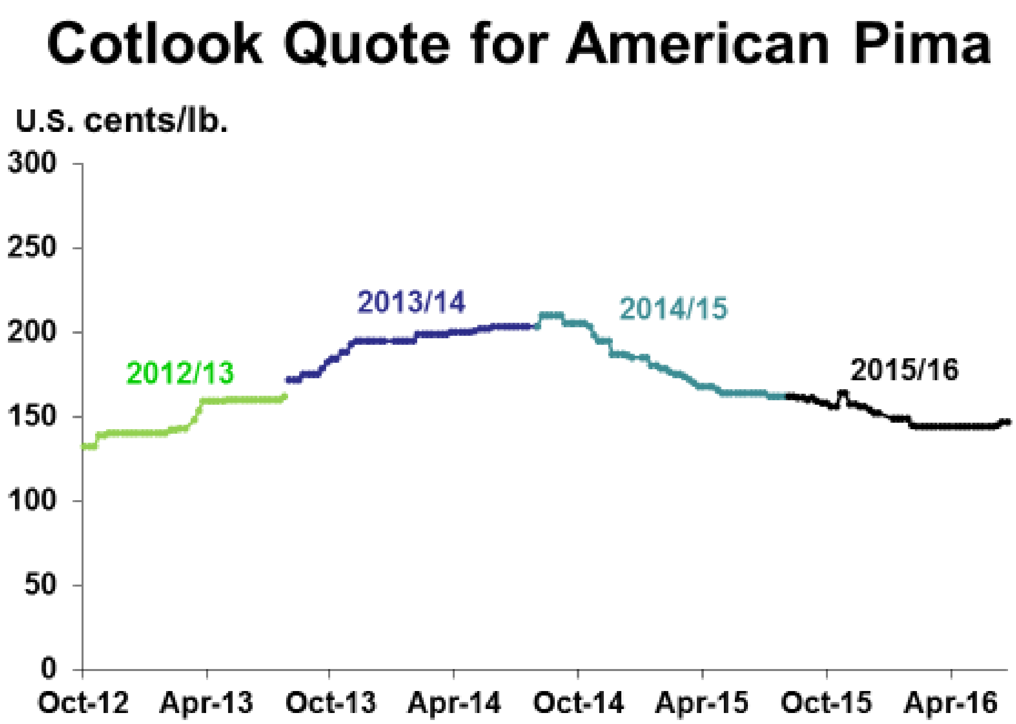
Current prices for extra-long staple cotton are lower than in 2013/14 and the first half of 2014/15 and are discouraging farmers from planting extra-long staple cotton. For some countries, like Australia and Brazil, where domestic upland cotton prices receive a premium compared to international cotton prices, farmers will plant more upland cotton than extra-long staple. After significantly expanding area by 33% to 133,000 hectares in 2015/16, production in China more than doubled to 155,000 tons due to the higher prices offered for extra-long staple cotton compared to upland. However, farmers are turning to plant more upland in 2016/17 and the extra-long staple area is forecast to contract by 25% to 99,750 hectares. A severe hailstorm hit one of the prefectures where China's extra-long staple cotton is grown, and growers are more likely to replant with upland cotton due to its shorter growing season. Assuming yield is similar to the 3-year average, production is expected to decrease by 3% to 150,000 tons. Cotton area in Egypt may decrease to 53,000 hectares in 2016/17, of which around 10,000 is extra-long staple and 43,000 is long staple varieties. Egyptian farmers are reluctant to plant cotton due to lack of government support and inability to sell their crop profitably as domestic spinning relies increasingly on short- and medium-staple cotton imports. Production of Egyptian extra-long staple is forecast to increase to 8,000 tons while long staple cotton decreases to 33,000 tons. Pima production in the United States is expected to grow by 47% to 138,000 tons after falling 23% to 94,000 tons in 2015/16 as area expands from 63,000 hectares to 86,000 hectares.

Consumption among extra-fine cotton producing countries is expected to increase by 2% to 357,000 tons in 2016/17, which is only a few thousand tons more than was consumed annually from 2013/14 through 2015/16. Since 2011, India has been the largest consumer of extra-fine cotton and its consumption is expected to remain stable at 146,000 tons in 2016/17. China's consumption may grow to 137,000 tons in 2016/17 from 124,000 tons in 2015/16. Egypt's consumption of long stable is projected to decrease by 10% to 47,000 tons.

Exports are projected to remain stable at 219,000 tons despite lower production. Exports by the United States, the largest exporter, are expected to increase by 7% to 120,000, due to strong global demand. Turkmenistan's exports are forecast to decrease by 5% to 25,000 tons, in part due to slightly higher domestic consumption.

Stocks at the end of 2015/16 are projected to remain stable at 210,000 tons, as increased exports offset higher production. Stocks in 2016/17 are forecast to decrease by 9% to 191,000 tons, which may help keep prices firm.


EXTRA-FINE COTTON
thousand tons
900
750
600
450
300
150
0
Production
Exports
Ending Stocks
00/01
02/03
04/05
06/07
08/09
10/11
12/13
14/15
16/17


Cotlook Quote for American Pima
U.S. cents/lb.
300
250
200
150
100
50
0
2012/13
2013/14
2014/15
2015/16
Oct-12
Apr-13
Oct-13
Apr-14
Oct-14
Apr-15
Oct-15
Apr-16

SALES OF EXTRA-FINE COTTON

World extra-fine cotton export commitments for 2015/16 are mostly complete and estimated at 233,000 tons as of mid-June 2016, exceeding projected exports for the season. It is a normal practice when a portion of the season's sales shifts for shipment during the next season. Between mid-March and mid-June 2016, export commitments for 2015/16 rose by 47,000 tons. About 101% of 2014/15 exports were committed as of mid-June 2015.

U.S. Pima sales for 2015/16 reached 121,000 tons, accounting for 108% of projected exports for the season. As of mid-June 2015, U.S. Pima sales for 2014/15 were at 95,000 tons accounting for 107% 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 42,000 tons as of mid-June 2016 (121% of projected exports) and include carryover sales from 2014/15 estimated at 14,000 tons. Exports commitments by Egypt for 2014/15 were at 57,000 tons (143% of actual exports) as mid-June 2015 and included 14,000 tons of carryover sales from the previous season.

EXTRA-FINE EXPORT COMMITMENTS FOR 2015/16

June 25, 2016

	Total Exports	Commitments January		Sales Remaining
		Thousand Tons		
CHINA	18	17	94%	1
EGYPT	35	42	121%	-7
ISRAEL	18	18	99%	0
SUDAN	1	1	100%	
TAJIKISTAN				
TURKMENISTAN	27	26	97%	1
UNITED STATES	112	121	108%	-9
UZBEKISTAN	1	1	100%	
OTHERS	7	7	93%	
WORLD TOTAL	**219**	**233**	**106%**	**-14**

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

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SUPPLY OF EXTRA-FINE COTTON*

June 24, 2016

Years Beginning August 1	2010	2011	2012	2013 Est.	2014 Est.	2015 Proj.	2016 Proj.	2017 Proj.
BEGINNING STOCKS*								
CHINA	32	37	92	77	70	38	73	82
EGYPT, ELS	7	7	19	9	10	3	0	1
EGYPT, L. STPL.	30	24	52	31	45	62	60	22
INDIA	27	24	24	11	22	22	22	22
ISRAEL	1	1	1	1	1	1	1	1
PERU	3	8	6	5	4	2	1	1
SUDAN	5	0	14	15	8	1	0	0
TAJIKISTAN	1	1	0	0	1	0	0	0
TURKMENISTAN	20	17	22	25	21	21	16	13
UNITED STATES	4	6	59	41	27	56	34	47
UZBEKISTAN	6	2	1	0	1	1	0	0
OTHER PRODUCERS	2	2	2	3	2	2	2	2
TOTAL	**137**	**129**	**292**	**217**	**211**	**209**	**210**	**191**
PRODUCTION								
CHINA	125	130	60	38	65	155	150	
EGYPT, ELS	28	37	10	7	4	2	8	
EGYPT, L. STPL.	105	148	99	94	106	82	33	
INDIA	63	70	70	76	88	82	77	
ISRAEL	7	16	14	11	14	19	15	
PERU	14	9	9	8	6	6	4	
SUDAN	4	16	3	1	0	0	0	
TAJIKISTAN	1	1	2	2	0	1	1	
TURKMENISTAN	20	18	18	17	20	23	24	
UNITED STATES	110	185	170	138	123	94	138	
UZBEKISTAN	2	2	2	2	2	1	0	
OTHERS	6	7	6	5	5	5	5	
TOTAL	**485**	**641**	**461**	**397**	**432**	**469**	**456**	
CONSUMPTION*								
CHINA	180	140	150	120	123	124	137	
EGYPT, ELS	1	3	3	1	1	1	0	
EGYPT, L. STPL.	33	78	84	58	55	52	47	
INDIA	150	154	155	145	146	146	146	
ISRAEL	0	0	0	0	0	0	0	
PERU	14	14	14	13	13	13	13	
SUDAN	0	0	0	0	0	0	0	
TAJIKISTAN	1	1	1	1	1	1	1	
TURKMENISTAN	4	4	3	3	1	1	2	
UNITED STATES	6	5	5	5	5	5	5	
UZBEKISTAN	1	1	1	1	1	1	0	
OTHER PRODUCERS	7	7	7	7	6	6	6	
TOTAL	**396**	**406**	**422**	**352**	**352**	**350**	**357**	
EXPORTS								
CHINA	5	5	5	5	10	18	20	
EGYPT, ELS	24	25	17	4	10	3	7	
EGYPT, L. STPL.	76	48	35	21	33	32	24	
INDIA	0	0	3	2	3	3	3	
ISRAEL	7	16	14	11	14	18	16	
PERU	0	0	0	0	0	0	0	
SUDAN	9	2	2	8	6	1	0	
TAJIKISTAN	1	1	1	1	0	0	0	
TURKMENISTAN	18	10	12	18	19	27	25	
UNITED STATES	108	129	184	148	89	112	120	
UZBEKISTAN	5	2	1	1	1	1	0	
OTHER PRODUCERS	4	6	5	4	5	4	4	
TOTAL	**258**	**244**	**280**	**224**	**190**	**219**	**219**	
TOTAL IMPORTS 1/	162	163	166	174	109	100	101	
STOCKS ADJUSTMENT 2/	-1	9	0	-1	0	0	0	
ENDSTOCKS/USE, EGYPT	**0.23**	**0.46**	**0.28**	**0.65**	**0.65**	**0.69**	**0.29**	
ENDSTOCKS/USE, USA	**0.05**	**0.44**	**0.22**	**0.18**	**0.60**	**0.29**	**0.37**	
ENDSTOCKS/USE, TOTAL	**0.20**	**0.45**	**0.31**	**0.37**	**0.39**	**0.37**	**0.33**	
COTLOOK QUOTE, AM. PIMA	**228**	**179**	**146**	**194**	**182**	**153**	**151**	
COTLOOK QUOTE, GIZA 88 3/	**260**	**156**	**154**	**178**	**113**	**114**	**114**	
RATIO: AM. PIMA/GIZA 88	**0.88**	**1.15**	**0.94**	**1.09**	**1.61**	**1.34**	**1.33**	
RATIO: AM. PIMA/A INDEX	**1.39**	**1.79**	**1.66**	**2.14**	**2.57**	**2.22**	**2.18**	

* 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 24, 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, 2014/15 and 2015/16, the quote is for Giza 86 as there are no quotes available for Giza 88.