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EXTRA-FINE COTTON UPDATE

From the Secretariat of the ICAC
October 29, 2015

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

2014/15:
World Production 436,000 tons (+1,000 tons): East Africa 500 tons (+500 tons); Greece 500 tons (+500 tons)
Exports 171,000 tons (+2,000 tons): Greece 500 tons (+500 tons); United States 89,000 tons (+1,000 tons)

2015/16:
World Production 450,000 tons (+23,000 tons): China 141,000 tons (+15,000); East Africa 1,500 tons (+1,500 tons); Greece 1,000 tons (+1,000 tons); Israel 15,000 tons (+1,000); United States 98,000 tons (+4,000 tons)
Exports 190,000 tons (-2,000 tons): Israel 15,000 tons (+1,000); Greece 1,000 tons (+1,000 tons); United States 109,000 tons (-5,000 tons)

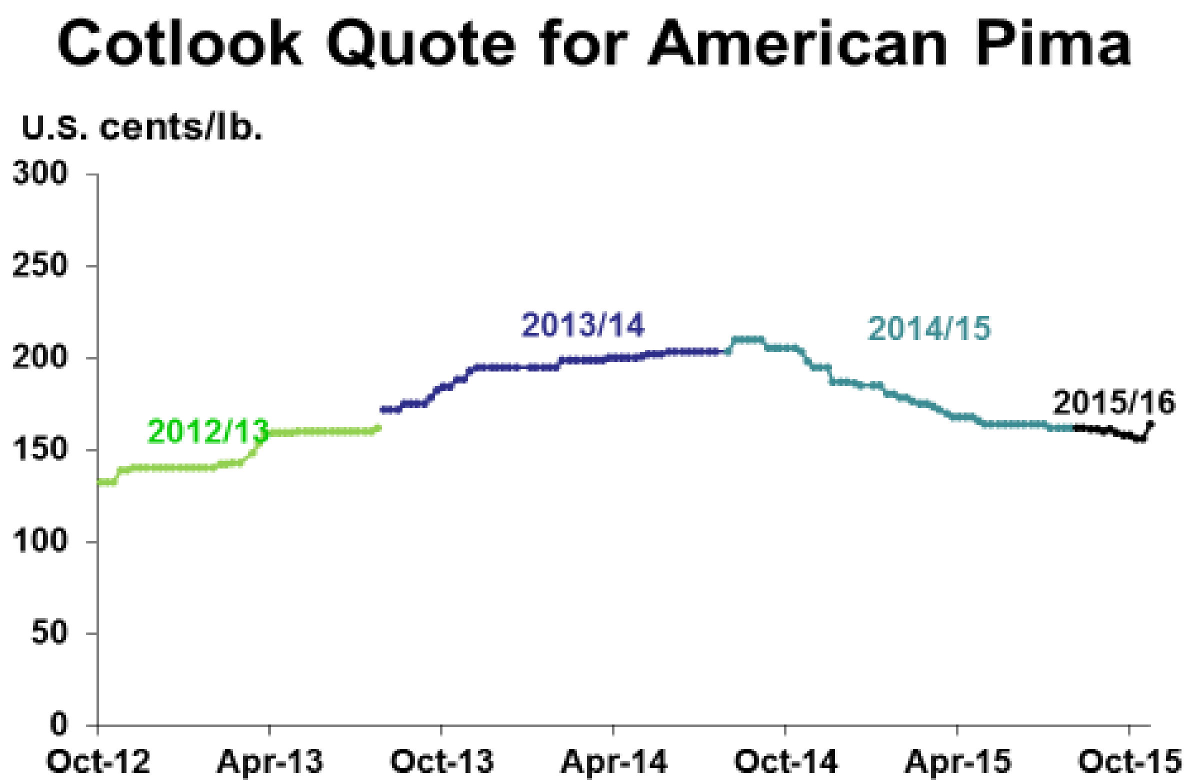
Stocks Likely to Increase in 2015/16

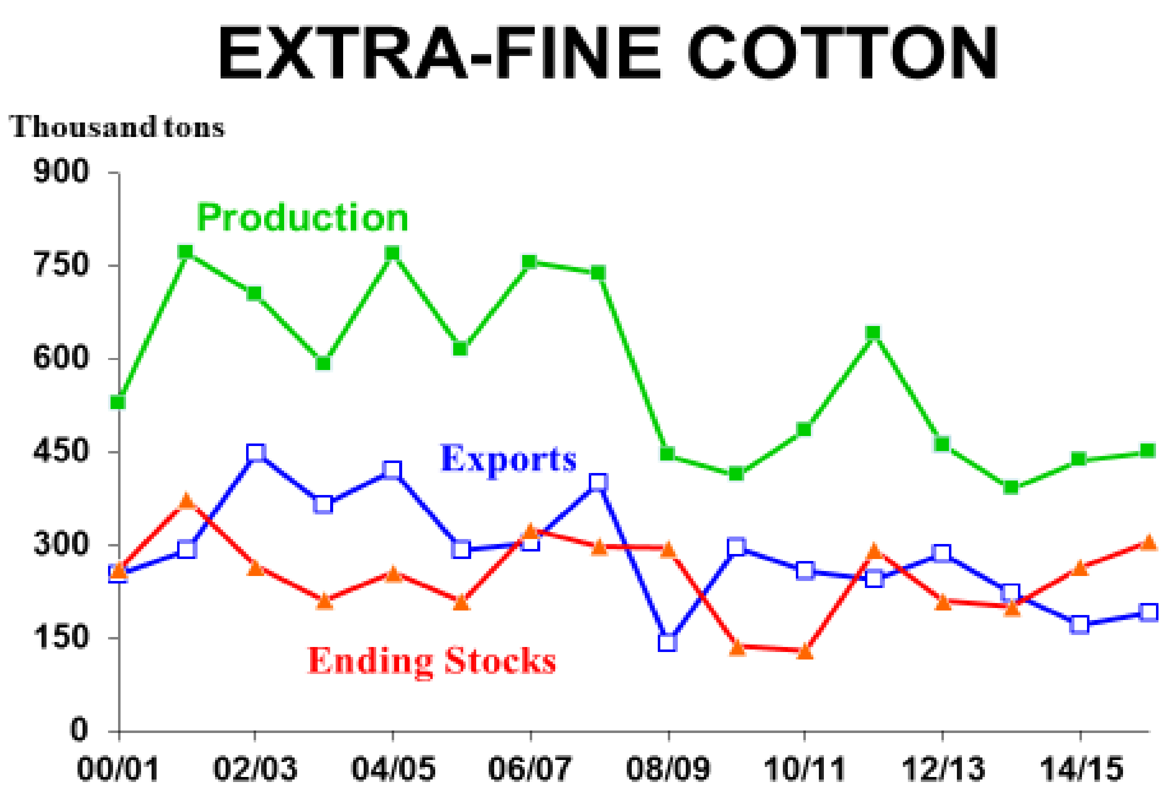
As noted in the June 2015 update, low prices for extra-fine qualities discouraged farmers from planting this type of cotton last spring. However, in China, the subsidy provided for extra-fine cotton offsets falling domestic prices for extra-fine qualities, making it more attractive to plant than upland cotton. After increasing 73% to 65,000 tons in 2014/15, China's production is expected to more than double to 141,000 tons in 2015/16. In the United States, not only have American Pima prices fallen, but a long-term drought in California, the state in which nearly all American Pima cotton is produced, has contributed to the contraction in planted area. As a result, production is forecast down 50% to 98,000 tons. Low domestic prices and lack of any subsidy in 2015 discouraged farmers in Egypt from planting cotton, and production is projected to decrease by 28% to 81,000 tons of which long staple cotton comprises 79,000 tons and extra-long staple cotton, 2,000 tons. Production in India is forecast to decrease from 88,000 tons in 2014/15 to 82,000 tons in 2015/16, due to reductions in both yield and profitability of extra-fine cotton varieties. Production in China, the United States, Egypt, and India represents 90% of total extra-fine cotton production.

Among extra-fine cotton producers, India, China, and Egypt account for 92% of consumption. In 2013/14 and 2014/15, consumption of extra-fine cotton among extra-fine cotton producers averaged around 350,000 tons and is projected to reach 356,000 tons in 2015/16. Growth in China and Peru is expected to offset declines in Egypt. China's consumption is expected to increase by 5% to 129,000 tons in 2015/16, as its spinning sector increasingly turns to higher quality yarn. Peru's extra-fine mill use is forecast to increase 4% to 13,100. Consumption of both long staple and extra-long staple cotton in Egypt is projected down 6% to 53,000 tons in 2015/16, due to the lack of subsidy for local mills to purchase domestic cotton and the fact that many spinning mills are equipped for shorter staple cotton. Consumption in India, the largest consumer is expected to remain stable at 146,000 tons.

After increasing for three consecutive seasons, imports of extra-fine cotton by extra-fine cotton producing countries fell 13% to 152,000 tons in 2014/15 and are expected to fall by 9% to 138,000 tons in 2015/16. Much of the decline in imports can be attributed to China. From 2011/12 through 2013/14, China's production of extra-fine cotton dropped due to the fact that the reserve policy drove up domestic prices for upland cotton to a level similar to that of extra-fine cotton. Given that extra-fine cotton is generally more expensive to produce, many Chinese farmers chose to plant upland cotton instead of extra-fine cotton. However, consumption during this period continued to grow and China relied on imports to supplement domestic production. With the change in cotton policy last year, production of extra-fine cotton in China has expanded greatly while consumption has grown modestly, leading to the reduction in imports.

After dropping 5% to 200,000 tons in 2013/14, ending stocks in extra-fine cotton producers rebounded 32% to 264,000 tons in 2014/15. Given that production is anticipated to outpace consumption in 2015/16, ending stocks of extra-fine cotton are projected to increase 16% to 306,000 tons.


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


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

SALES OF EXTRA-FINE COTTON

World extra-fine cotton export commitments for 2015/16 are estimated at 72,000 tons as of mid-October 2015, accounting for 37% of projected exports. About 30,000 of the committed sales represent carryover of 2014/15 sales for shipment during 2015/16. Between mid-August and mid-October 2015, export commitments for 2015/16 rose by 32,000 tons. About 30% of 2014/15 exports were committed as of mid-October 2014.

U.S. Pima sales for 2015/16 reached 26,000 tons, accounting for 24% of projected exports for the season. As of mid-October 2014, U.S. Pima sales for 2014/15 were at 17,000 tons accounting for 19% 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 19,000 tons as of mid-October 2015 (57% of projected exports) and include carryover sales from 2014/15 estimated at 16,000 tons. Exports commitments by Egypt for 2014/15 were at 16,000 tons (40% of actual exports) as mid-October 2014 and included 14,000 tons of carryover sales from the previous season.

EXTRA-FINE EXPORT COMMITMENTS FOR 2015/16

October 28, 2015

	Total Exports	Commitments October		Sales Remaining
		Thousand Tons		
CHINA	5	2	40%	3
EGYPT	33	19	57%	14
ISRAEL	17	10	58%	7
SUDAN	0			0
TAJIKISTAN				
TURKMENISTAN	17	10	57%	7
UNITED STATES	109	26	24%	83
UZBEKISTAN	1	1	100%	
OTHERS	10	4	42%	6
WORLD TOTAL	**192**	**72**	**37%**	**121**

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

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ICAC

SUPPLY OF EXTRA-FINE COTTON*

October 27, 2015

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	8	8	3	0
EGYPT, L. STPL.	56	30	24	52	31	41	61	58
INDIA	25	27	24	24	11	22	22	22
ISRAEL	1	1	1	1	1	1	1	2
PERU	7	3	8	6	5	4	2	1
SUDAN	25	5	0	14	7	1	0	0
TAJIKISTAN	3	1	1	0	1	2	2	2
TURKMENISTAN	28	20	17	22	25	21	26	24
UNITED STATES	66	4	6	59	41	27	56	41
UZBEKISTAN	13	6	2	1	0	1	1	0
OTHER PRODUCERS	2	2	2	2	3	2	2	2
TOTAL	**295**	**137**	**129**	**292**	**210**	**200**	**264**	**306**
PRODUCTION								
CHINA	111	125	130	60	38	65	141	
EGYPT, ELS	13	28	40	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	18	
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	98	
UZBEKISTAN	2	2	2	2	2	2	1	
OTHERS	5	6	7	6	5	5	8	
TOTAL	**412**	**485**	**639**	**461**	**391**	**435**	**453**	
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	7	3	
EGYPT, L. STPL.	51	76	48	35	21	33	30	
INDIA	0	0	0	3	2	3	3	
ISRAEL	7	7	15	14	11	14	17	
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	11	18	13	17	
UNITED STATES	151	108	129	184	148	89	109	
UZBEKISTAN	7	5	2	1	1	1	1	
OTHER PRODUCERS	4	4	6	5	4	5	7	
TOTAL	**294**	**258**	**244**	**285**	**222**	**171**	**192**	
TOTAL IMPORTS 1/	170	162	163	166	174	152	138	
STOCKS ADJUSTMENT 2/	18	-1	10	0	-1	0	0	
ENDSTOCKS/USE, EGYPT	**0.25**	**0.23**	**0.46**	**0.28**	**0.57**	**0.66**	**0.67**	
ENDSTOCKS/USE, USA	**0.03**	**0.05**	**0.44**	**0.22**	**0.18**	**0.60**	**0.36**	
ENDSTOCKS/USE, TOTAL	**0.18**	**0.20**	**0.45**	**0.30**	**0.35**	**0.50**	**0.56**	
COTLOOK QUOTE, AM. PIMA	**128**	**228**	**179**	**146**	**194**	**182**	**160**	
COTLOOK QUOTE, GIZA 88 3/	**132**	**260**	**156**	**154**	**178**	**113**	**NQ**	
RATIO: AM. PIMA/GIZA 88	**0.97**	**0.88**	**1.15**	**0.94**	**1.09**	**1.61**		
RATIO: AM. PIMA/A INDEX	**1.66**	**1.39**	**1.79**	**1.66**	**2.14**	**2.57**	**2.23**	

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

** Am. Pima and Cotlook A Index through October 22, 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.