

COTTON MARKET REPORT APRIL 2023



International situation

Global production is up from the previous month to 115.9 million bales which can be attributed to higher production in China, against a lower crop in Brazil. This is close to a stable global production of 24.55 million tons. Global consumption is currently recorded at 23.79 tons and global trade is 8.99 million tons.

Uzbekistan held a national referendum on changes to their constitution, amongst others the cracking down on forced labour in cotton fields.

Cotton arrival numbers for India have been alarming low in the 2022/23 season. While there have been some weather and pest-related pressures, these alone would not be sufficient to explain the decreased numbers. The international reference price of cotton (Cotlook A-Index) has been at near record highs and in May 2022 reached the second-highest recorded number in the history of the index. In recent months the price has fallen, and this drastic fall has likely left Indian farmers wishing and waiting for prices to increase. It is speculated that it was precisely this waiting that was causing arrival numbers to be so depressed in India this season. The March 2023 arrival numbers started to pick up pace. The April numbers showed that arrivals are up significantly over previous seasons. This

indicates that the initial assumption that Indian farmers have been storing and holding their cotton for higher and more stable pricing before they entered the market, was correct.

World Cotton balance sheet

	Aug-Jul	2022/23	
	2021/22	Mar	April
Million metric tons lint			
Beginning Stocks	20.19	19.43	19.42
Production	25.18	24.55	24.55
Consumption	25.81	23.80	23.79
Ending Stocks	19.43	20.18	20.19
Stocks/ Use (excl. China)	62.14%	69.50%	

Cotton has been historically important for India, and it continues to be important to this day. The history of Indian cotton dates back to ancient times, surviving the Indus Valley Civilization, the medieval period, and the Mughal Empire. The British colonisation had a significant impact on the Indian cotton industry. The British introduced new technologies and machinery for spinning and weaving cotton, which led to the establishment of textile mills in India. However, the British also imposed various policies and practices that exploited Indian cotton farmers

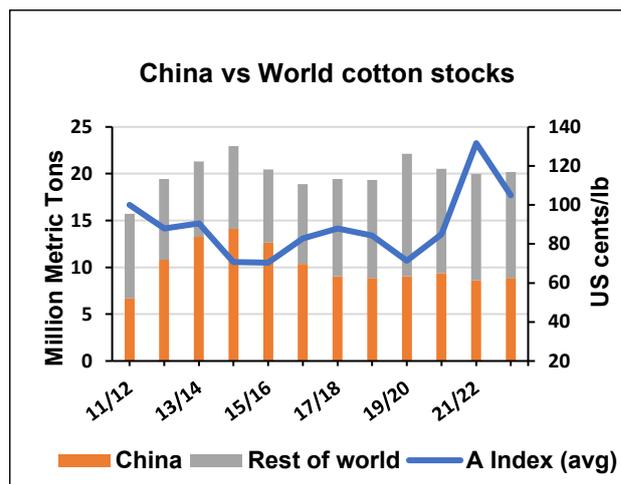


that led to the decline of the industry in certain regions.

After India gained independence in 1947, the government focused on developing the cotton industry as a means of promoting economic growth and self-sufficiency. India became one of the largest producers and exporters of cotton in the world and its production has been increasing steadily over the years.

In recent years, there have been several big developments in production, trade, and market dynamics. The Indian government has been implementing various policies to support cotton farmers and boost production. The Covid-19 pandemic disrupted global trade and reduced demand for cotton. In addition, there have been tensions with China, which is one of the biggest buyers of Indian cotton. However, there are also opportunities for Indian cotton in other markets, such as Bangladesh, Vietnam, and Pakistan. Indian cotton farmers are adopting new technologies and techniques to improve yields and reduce costs. Challenges for Indian farmers are weather fluctuations, pests and diseases, and global market dynamics.

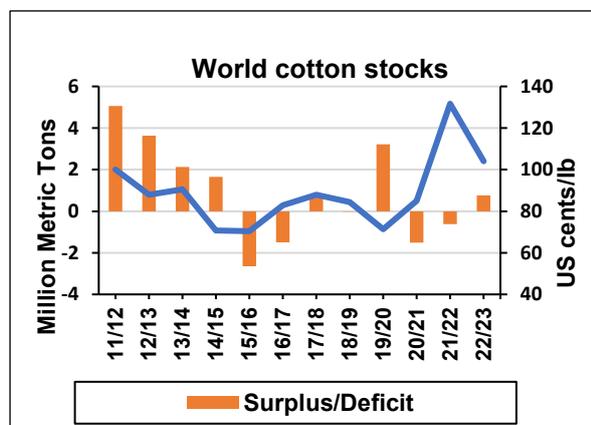
World cotton stocks, China versus the rest of the World



The ICAC Secretariat's current price forecast of the season-average A-index for 2022/23 ranges from 96.10 US cents to 111.30 US cents, with a midpoint at 102.77 US cents per pound.

Source: www.icac.com

World Cotton Stocks



(Quotes in US cents per pound)	02/05/23	Season Low	Season High	1 Year ago,	2 Years ago,
Cotlook A Index		89.20	135.20	151.3	87.65
NY Futures Nearby Contract ^a	78.63	72.00	122.20	134.55	77.95
Basis ^b	14.52	6.40	135.9	16.61	6.77
2022/23 average to date	103.99				
2021/22 average	131.68				

^a Previous day's close;

^b Current A-Index minus Nearby NY (previous close)



Local outlook

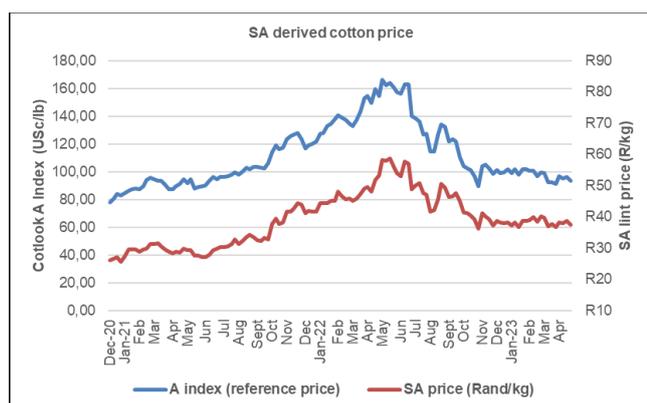
The lint price for South African farmers remains reasonably good, reaching an average reference price of around R32,86 per kg lint for Strict Low Middling 1 1/16" (on 24/04/2023).

The fourth official crop estimate for 2022/23 remained the same as the previous month, namely 71 542 lint bales. The fourth official crop estimate for 2022/23 thus remains just over 5 000 bales less than the final estimate of the previous season. Ginning has started at the beginning of May in the Northern Cape and the crop volumes and quality look good.

Other commercial areas have started to defoliate and will soon start ginning.

Smallholder production areas have received good rains, and the estimated lint bale production is around 10 252 bales.

A total of about 2 062 smallholder farmers have cultivated 4 675 ha under dryland, and 498 ha under irrigation. The number of actual lint bales produced during the 2021-2022 season was 5 972, with an increase of just over 71% expected for the current season (January 2023 statistics).



RSA CROP	2022/23 3rd Estimate	2022/23 4 th Estimate (Same as 3 rd)	2021/22 Final Estimate
Ha Irrigation	6 665	6 665	7 195
Ha Dryland	11 329	11 329	10 823
Total Ha	17 994	17 994	18 018
Irrigation	4 270	4 270	4 306
Dryland	1 002	1 002	1 103
Total lint bales	71 542	71 542	76 659

Province/ (No. of Co-ops)	No. of farmers	Dryland hectares (estimate)	Irrigation hectares (estimate)	Lint bales @ 200 kg (estimate)
Nkomazi (23) Mpumalanga	479	1727	22	2784
Nokaneng (1) Mpumalanga	1	10	0	11
Matlerekeng (1) Limpopo	14	195	0	369
Marble Hall (1) Limpopo	5	39	0	43
Taung (3) North-West	17	0	170	1129
Zululand (6) KZN	80	80	0	76
Mkhuze (1 JV) KZN	78	0	285	1890
Makhathini (52) KZN	1385	2489	21	3818
Magudu (1) KZN	2	25	0	32
Rust de Winter (1 JV)	1	110	0	100
Totals:	2062	4675	498	10 252

Inquiries: Dr Annette Bennett

Tel no: 012 804 1462

