COTTON MARKET REPORT

JANUARY 2021

KATOEN SA · COTTON SA

EXPANSION IN TRADE AS ECONOMIC RECOVERY CONTINUES IN 2020/21

International

According to the ICAC, global production for 2020/21 is currently estimated at 24.1 million tons. This is an 8% decrease from the previous season, with decreases of between 12% and 33% coming from several major producers, amongst others, the USA, Brazil, Pakistan, West Africa, Turkey and Uzbekistan whilst production in the world's largest producing countries namely China and India are expected to increase.

With production decreases in several consuming countries that rely on domestic production, trade is expected to rebound to 9.3 million tons during 2020/21. Globally the pace of imports has increased as manufacturing activities regain pace and consumer demand recovers. Imports by Pakistan are forecasted to double in 2020/21 to meet the deficit in cotton production.

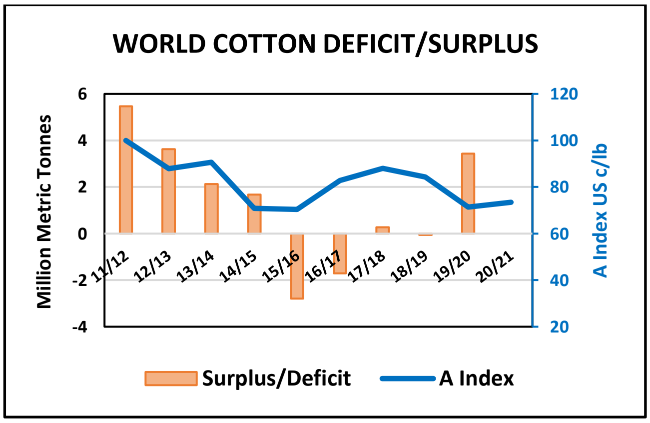
Exports from the USA and Brazil remain strong. The US will remain the world's largest exporter, benefitting from trade agreements with China. Total USA exports have thus far outpaced the previous season by 45% whilst exports to China over the same period increasing by 600%. Exports from Brazil are on track to match or exceed the previous season's exports. India, well supplied from previous seasons carryover and current season production, is expected to export over 1 million tons.

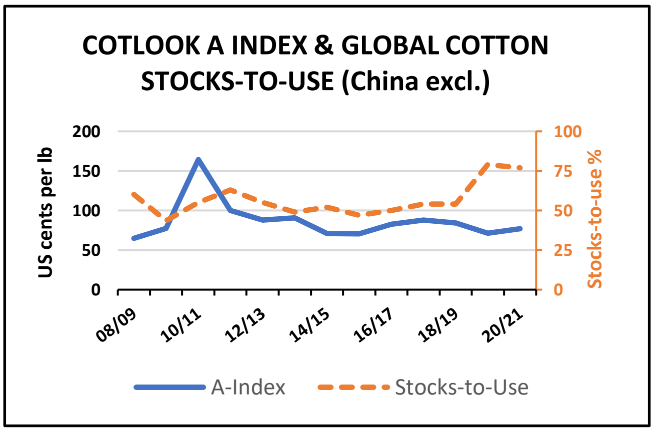
Global consumption is currently estimated at 24.1 million tons which is equal to the estimated production of 24.1 million tons.

China's major producing province, Xinjiang was found to be engaged in forced labour and/ or human rights violations. As a result, the US will ban imports of cotton and cotton products from China. Any further contraction of apparel imports from China will present opportunities for other suppliers to capture market lost by China.

World Cotton Balance Sheet

	Aug-Jul	2020/21	
	2019/20	November	January
	Million Metric Tonnes Lint		
Beginning Stocks	18.51	21.24	21.18
Production	26.21	24.68	24.10
Consumption	22.77	24.26	24.10
Ending Stocks	21.18	21.65	21.18
Stocks/ Use (excl. China)	79%	79%	77%





International Cotton Prices

The price projection for the 2020/21 year-end average of the Cotlook A Index is 73,5 cents per pound this month.

(Quotes in US cents per pound)	Today	Season Low	Season High	1 Year ago	2 Years ago
Current Cotlook A Index	**90.90**	**68.20**	**89.10**	**78.15**	**83.75**
NY Futures Nearby Contract [a]	**82.74**	**61.84**	**82.57**	**67.50**	**73.64**
Basis[b]	**8.16**	**5.43**	**8.58**	**9.15**	**9.36**
2020/21 average to date	**76.83**				
2019/20 average	**71.33**				

[a] *Previous day's close*

[b] *Current A-Index minus Nearby NY (previous close)*

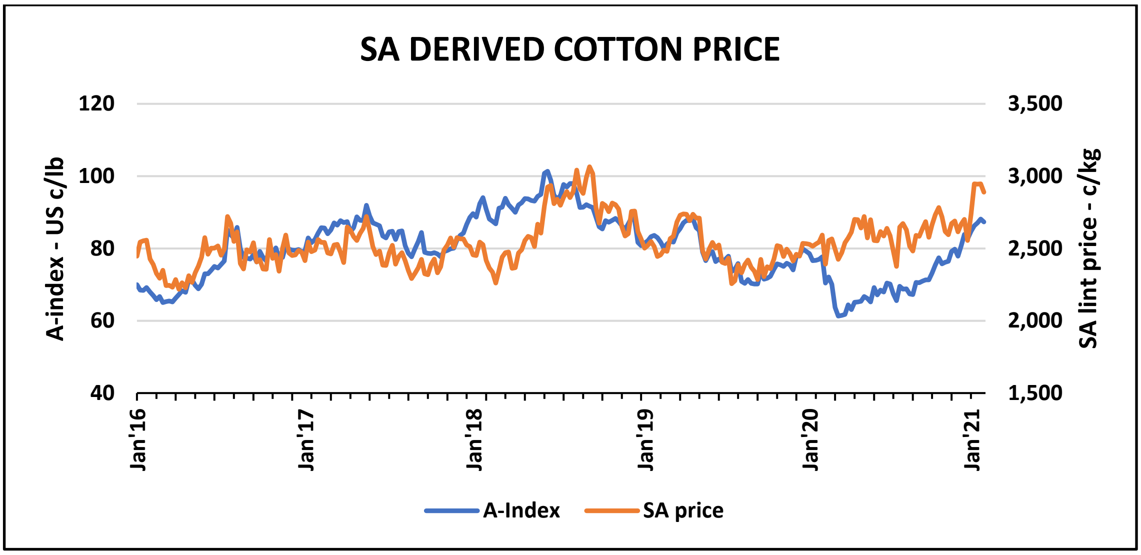
Source: ICAC

Local

As a result of farmers turning to food crops due to more encouraging prices, the 2020/21 plantings are lower than the previous season. It is expected that plantings could decline even further due to the recent floods. The first estimate for the 2020/21 production year indicates a local cotton crop of 105 515 lint bales which is about 21% less than the previous season.

BCI cotton represented almost 50% of the 2019/20 crop and is expected to remain unchanged in 2020/21.

RSA CROP 200 Kg Lint bales	2020/21 1st Estimate		2019/20 Final Estimate
Ha Irrigation	7 124		11 543
Ha Dryland	15 503		16 132
Total Ha	22 627		27 675
Yield: kg seed cotton per ha			
Irrigation	3 799		4 393
Dry land	1 993		1 206
TOTAL BALES	105 515		134 230



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