



Cotton Outlook

Long Staple

UPDATE

November 2010

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A 2010/11 season characterised by extremely tight supply and potentially volatile price movements has been in prospect for some time. Following the substantial drawdown in global stocks witnessed during 2009/10, output this season in major producing countries has not increased sufficiently to change the outlook. However, the fact that the anticipated supply squeeze has developed so early on in the season was less predictable and is perhaps symptomatic of the wider raw cotton business climate. The market has moved rapidly and in a somewhat chaotic fashion.

Since our Long Staple Annual Review in July we have increased our forecast for world production by 10,080 tonnes and reduced that for consumption by 39,443 tonnes. Nevertheless, we are still projecting a modest reduction in world stocks during 2010/11, on the back of two consecutive seasons of more substantial declines. However, this analysis still does not paint the whole picture in terms of the supply that is readily available to the market.

World Extra-Long and Long Staple Output (tonnes)							
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11 v 2009/10
United States	137,275	167,000	185,458	93,839	84,913	100,153	18%
Egypt	204,300	214,733	226,450	118,700	94,858	138,689	46%
of which:							
ELS	42,881	52,906	40,740	23,339	12,900	22,884	77%
LS	155,930	157,865	181,349	94,573	85,075	115,805	36%
Sudan	44,000	21,400	15,000	8,969	2,177	3,629	67%
Uzbekistan	10,000	12,000	10,500	5,000	2,200	4,000	82%
Tajikistan	8,000	10,000	7,500	3,000	2,000	1,000	-50%
Turkmenistan	12,000	25,000	25,000	20,000	25,000	25,000	Unch
India	51,850	68,850	78,000	76,500	77,000	82,000 *	6%
Peru	19,280	16,960	22,660	14,090	6,200	5,000	-19%
China	80,000	170,000	185,400	120,000	90,000	110,000	22%
Israel	11,500	18,500	19,000	9,000	6,900	7,000 **	1%
Spain		450	1,350	1,800	1,800	2,250	25%
Australia	300	300	300	300	300	300	Unch
Others	3,000	3,000	3,000	3,000	2,000	3,000	50%
TOTAL	581,505	728,193	779,618	474,198	395,348	482,021	22%

*includes cotton with staple of over 33mm
**includes Pima and Acalpi

By October 28, Pima commitments for 2010/11 (outstanding sales plus shipments) stood at just over 258,200 running bales, the equivalent to around half of the estimated supply for the current season. That figure does not of course include sales to domestic mills, which are expected to consume around 30,000 running bales this season.

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At the time of writing, shippers are reluctant sellers, preferring to await harvest results before adding substantially to their commitments, particularly following unfavourable, cloudy and wet weather in California during early October. Attempts to price themselves out of the market have not always been successful, with mills in some markets accepting the sharply higher prices asked. Although Cotlook's US Pima quotation has breached US\$230.00 per lb, its highest level in modern history, sellers report that they have a substantial amount of enquiry in hand and appear confident of liquidating their remaining anticipated supply for the season in a short space of time.

It is also evident that mills have been willing to cover their forward requirements. At the end of October, over 78,000 running bales of Pima had already been committed for 2011/12 – not a single bale had been sold for the next season by the same time last year.

government would cede to a concerted lobbying campaign by domestic textile interest groups for a ban on raw cotton exports prompted a rush of registrations during the week ended October 9. The total volume registered for export with Alcotexa that week alone was 46,406 tonnes, a record in recent history. The threat of an outright ban has since faded, but offtake has remained reasonably strong. The total committed by the origin at the time of writing is close to 80,000 tonnes, out of final export figure not expected to exceed 110,000 tonnes and possibly as low as 95,000. The bulk of sales has involved the Giza 86 long staple variety, which has been harvested earlier than the much more limited supply of the Giza 88 extra-long style.

Chaotic trading conditions have been reported on the domestic raw cotton market. Farmers, seeing the pace of export sales and international price trends, have tended to withhold supplies and their price ambitions have escalated rapidly. The local market has moved so swiftly that the process of covering any export sales has been challenging. The Holding Company has recently ordered public traders to cease purchasing seed cotton and, according to the Holding Company's chairman, some public sector mills have ceased production, with yarn prices failing to keep pace with raw cotton replacement costs. Increasingly, traders (both local and international) have become cautious in offering additional volumes for export.

Indian long staples have proved increasingly popular in markets such as Pakistan in recent seasons. However, long staple varieties have also been affected by New Delhi's export restrictions and some mills report delays in shipments and a lack of nearby offers.

The authorities in Ashgabad indicate that stocks of 2009/10 long staples from Turkmenistan have now been sold out. However, sales from 2010/11 crop, believed to be similar in size to last season, have not yet started.

A key market factor, and one which is, as always, very difficult to assess, is the size of China's long staple crop and therefore its import requirement. Southern Xinjiang, the centre of long staple cultiva-

World Long and Extra-Long Staple Consumption						
(tonnes)						
	06/07	07/08	08/09	09/10	10/11	10/11 v 09/10
Americas						
United States	8,491	7,838	6,532	6,532	6,000	-8%
Mexico	435	500	300	300	300	Unch
Peru	10,000	13,000	9,000	9,000	11,000	22%
Europe						
Italy	10,000	4,000	2,500	2,000	1,000	Unch
Switzerland	8,000	7,000	3,000	2,000	1,000	-50%
Germany	5,000	4,500	3,000	2,500	6,000	140%
Turkey	10,000	8,000	5,000	4,000	3,000	-25%
Portugal	4,000	6,000	4,000	800	800	Unch
Asia						
China	190,000	170,000	205,000	200,000	170,000	-15%
India	148,000	161,500	125,000	145,000	156,000	8%
Pakistan	55,000	85,000	30,000	45,000	40,000	-11%
Indonesia	14,000	14,000	10,000	6,000	7,000	17%
Japan	13,000	12,000	8,000	4,000	4,000	Unch
South Korea	11,000	11,900	4,980	1,500	5,000	233%
Bangladesh	10,000	18,000	10,000	12,000	13,000	8%
Thailand	10,000	18,000	9,000	7,000	6,000	-14%
Taiwan	7,000	7,000	2,500	2,177	5,000	130%
Turkmenistan	4,000	4,000	2,500	2,000	2,000	Unch
Africa						
Egypt	79,572	126,758	37,895	100,000	45,000	-55%
Others	4,500	4,000	3,500	3,500	4,000	14%
Total	608,448	687,996	482,957	555,309	486,100	-12%

The Egyptian 2010/11 crop marketing campaign has got off to an explosive start. Conjecture that the

