

WEEK IN BRIEF

Upland **offering rates** have moved higher this week, in reflection of firmer settlements in New York. The nearby May contract ended the period at its highest level since late January, with a gain of over 340 cent points. July's premium relative to December has widened considerably... Chinese markets have reopened on a strong note following the Lunar New Year holiday... Cotlook's initial estimates of global production and consumption in the 2018/19 season appear on pages 7/13... The Bangladesh Cotton Association's "Global Cotton Summit" will take place in Dhaka this weekend.

In the United States, **fields** in West Texas have received welcome precipitation, which should help to relieve dry soils. However, more moisture is needed ahead of the planting period. Persistent rainfall has resulted in waterlogged fields in the Delta. Pre-planting activities are advancing in some regions, weather permitting. USDA will announce its first 2018/19 supply and demand numbers immediately after this publication is released... Planted area in Greece is expected to rise modestly in 2018/19... Most of Kazakhstan's export shipments so far this season have been to Riga, for onward delivery... Indian seed cotton arrivals have continued ahead of the pace of last season. Daily volumes have increased modestly from last week... Ginning of the Chinese crop is approaching completion... Field reports from Brazil remain positive. Planting is complete... Welcome rain has been received over cotton fields in Argentina. Further moisture would facilitate plant development.

Mill demand has remained relatively limited, owing to holiday influences in some major markets. Purchases have been mainly of a gap-filling nature, for nearby or second quarter delivery. Mills in Bangladesh and the Far East have concentrated predominantly on prompt shipment or second quarter supplies, including US and Southern Hemisphere cotton. Lower grade Indian lint has also attracted buyers in Bangladesh... Egyptian export registrations continue to be mainly for Indian spinners. Almost 60 percent of the total volume committed has been shipped... The composition of cumulative Greek exports in the current season shows considerably heavier shipments to Turkey and Egypt than in 2016/17... India's raw cotton exports during November were considerably higher than in the previous month. The main destination was Bangladesh.

The cotton **yarn** market has been fairly subdued, in tandem with the raw cotton market... In India, cumulative cotton yarn exports in the season to November were roughly 20 percent ahead of the previous year. Exports of ready-made garments in January, however, were down by 14 percent on the corresponding month in 2017... Bangladesh's garment export earnings in the season to January were 7.6 percent higher than in the previous season.



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INTERNATIONAL COTTON PRICES

Renewed activity in New York

The calmer market conditions we referred to a week ago have given way to a more energetic mood in the latter part of the period under review, despite the fact that trading in New York was interrupted by a US holiday on Monday, and commercial activity in the Far East has been curtailed by the Lunar New Year celebrations. Futures fluctuated narrowly until a sharp rise on February 20 that has been widely attributed to a resumption of speculative buying, triggered by technical factors, as well as last-minute fixations on the March contract, First Notice Day for which is today (February 22). The May contract (in which the bulk of the open interest now resides) has ended with a substantial net gain of 342 cent points.

While the process of fixation against the maturing March contract has proved a relatively orderly affair, traders are not unaware of the quantity of on-call sales that rest on the May and July contracts. The latest report from the Commodity Futures Trading Commission shows on-call sales on May and July at 35,128 and 41,487 contracts, respectively, as at February 9. The size of those positions may continue to support or perhaps apply upward pressure to New York as spinners seek to fix their on-call purchases during the later months of the season, unless speculative selling instead proves the decisive influence. The likelihood of an early speculative sell-off is viewed with a degree of scepticism by some analysts, who note that the outlook for rising inflation that triggered the recent sharp downturn in US share values may also provide speculators with a rationale to remain invested in commodities such as cotton. The weakness of the US dollar may prove to be a similarly influential factor.

The prospect of a fresh rally in New York has not seemed to exert much influence on the behaviour of mill buyers. Even on those import markets not affected by holiday influences, demand has remained small and selective. For many spinners, the market's recent downward correction appeared to have restored raw cotton replacement costs to a level considered workable in relation to prevailing yarn selling rates, but that perception might change if the surge in futures were to continue.

US export sales

In addition to the robust pace of US export sales for shipment during the current season (already equivalent to over 90 percent of USDA's reduced forecast of 14.5 million statistical bales), those for the next marketing year are well ahead of the corresponding totals for the past few seasons. Last week, an additional 131,000 running bales of upland cotton were registered for shipment in 2018/19, raising the cumulative total to over 1.8 million bales.

The pattern of forward demand for US and other origins is also reflected in the latest CFTC data. On-call sales for December 2018 amount to 27,110 contracts and those for March 2019 total a further 13,725, in each case nearly double the corresponding totals a year earlier.

New season's forecasts

As forward sales commitments accumulate, the statistical outlook for the season ahead is attracting greater attention. Last week, the National Cotton Council of America released the results of its Planting Intentions survey, and *Beijing Cotton Outlook* advanced its first Chinese supply and demand figures for 2018/19. This week sees the publication of our own initial world production and consumption forecasts for next season. At this early stage, the figures must of course be treated with the customary caution, given the potential for weather or pest-related influences to affect production, and the unforeseen economic or other factors that might dictate the pace of world consumption.

Influenced by the generally remunerative prices obtained during

the 2017/18 campaign, farmers are expected to expand cotton plantings by about 2.3 percent. However, at 26.1 million tonnes, global output is forecast to be marginally lower than during the current season, which has been characterised by exceptionally good yields in a number of major producing countries. In the United States, predicted higher abandonment in West Texas is also a significant factor.

On the demand side, our numbers imply growth in consumption of 2.6 percent, to just over 26.7 million tonnes. Global stocks are therefore forecast to decline by 583,000 tonnes, against a modest increase of 160,000 indicated for 2017/18.

While the prospect of a reduction in world carryover next season may be viewed as a supportive signal, arguably of greater significance for the behaviour of world prices will be the relationship between China and the rest of the world during the period. Our initial forecasts suggest a gap between China's production and consumption next season in excess of 3.4 million tonnes.

China's imports

Our early projection is that China's raw cotton imports will rise by about 500,000 tonnes to 1.6 million in 2018/19. That figure appears conservative in comparison to those considered possible by some trade observers. A number of imponderables are in play. One is the outcome of this year's State Reserve auction series, which is due to begin in mid-March. This year's sales will begin with local prices on the defensive, and a substantial volume of current crop uncommitted: by the end of January, *Beijing Cotton Outlook* placed 'commercial' stocks (which exclude those held by spinners or in the State Reserve) at 3.9 million tonnes. Previous official statements appear to have ruled out the establishment of discretionary import quotas in 2018, and the behaviour of the market after the year-end will no doubt dictate the timing of any relaxation of import policy in 2019.

The bullish implications of China's eventual return as an importer of substantially larger quantities from the international market would seem inescapable but the timing of this remains no easier to determine with confidence.



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CFR FAR EASTERN QUOTATIONS FOR PRINCIPAL GROWTHS

Quotations as at February 22, 2018

Description	Price	Change on week	Shipment
American-Type cottons:			
Higher grades			
Australian SM 1-5/32"	96.75	3.00	5/6
Benin Kaba/s 1-1/8"	93.00	3.50	3/4
Burkina Faso BOLA/s 1-1/8"	92.50	3.50	3/4
Cameroon IRMA/s 1-1/8"	93.00	3.50	3/4
Cameroon PLEBE 1-5/32"	94.50	3.50	3/4
Chad Kero A51 1-5/32"	94.50	3.50	3/4
Indian Shankar-6, 1-1/8"	87.75	3.25	3/4
Ivory Coast MANBO/s 1-1/8"	92.50	3.50	3/4
Mali JULI/s 1-1/8"	93.50	3.50	3/4
Spanish SM 1-1/8"	93.25	3.75	3/4
Tanzanian RG1 1-1/8"	NQ		
Texas SM 1-1/8"	91.50	3.25	3/4
Uzbekistan SM 1-1/8"	95.25	N 3.25	3/4
Zambian SM 1-1/8"	NQ		
Zimbabwe SM 1-1/8"	NQ		
Medium grades			
1-1/8" staple unless stated			
Australian Midd	NQ		
Benin BELA *	92.00	3.50	3/4
Brazilian Midd	91.25	3.25	3/4
Burkina Faso RUDY *	91.50	3.50	3/4
California/Arizona Midd	92.75	3.25	3/4
Greek Midd	93.75	3.75	3/4
Indian medium grades **	86.75	3.25	3/4
Iv. Coast BEMA *	91.50	3.50	3/4
Mali ROKY/KATI *	92.50	3.50	3/4
Memphis/Eastern Midd	91.75	3.25	3/4
Memphis/Orleans/Texas Midd	90.00	3.25	3/4
Mexican Midd	NQ		
Tanzanian Type 1SG 1-3/32"	NQ		
Uzbekistan Midd	92.25	N 3.25	3/4
Lower grades			
Argentina SLM, 1-1/16"	NQ		
Brazilian SLM 1-3/32"	NQ		
Greek SLM 1-3/32"	NQ		
Indian J-34 SG **	NQ		
Memphis/Eastern SLM 1-3/32"	89.75	3.25	3/4
Memphis/Orleans/Texas SLM 1-3/32"	88.00	3.25	3/4
Memphis/Orleans/Texas Midd. 1-3/32" Mic. 3.0 NCL	82.75	3.25	3/4
Pakistan AFZAL 1-1/16"	NQ		
Pakistan Type 1467 1-3/32"	NQ		
Long Staple cottons:			
US Pima Grade 2 1-7/16" #	166.00	Unch	3/4
Egyptian Giza 86 Good+3/8	148.00	Unch	3/4
Egyptian Giza 94 Good+3/8	145.00	Unch	3/4
Israeli Pima H1, 1-7/16" #	167.00	Unch	3/4
Israeli Acalpi	NQ		

* A maximum of two African Franc Zone growths are permitted in the Index calculation.

** Applicable ICS standards, as adopted by the ICA are as follows: Higher grade - ICS 105 Superfine; Medium grade ICS 105 Fine

Qualities used in US Pima competitiveness programme.

THE COTLOOK INDICES

The Cotlook A Index was first calculated in 1966. The basis of the calculation has changed over the years with regard to quality and location. Since March, 2003 the Index has represented CFR Far East Eastern values. Between 1981/82 and 2014/15, the quality description of the Index was Middling 1-3/32". However, with effect from the 2015/16 Index, the staple length has been adjusted to Middling 1-1/8".

The quotations are compiled and published daily.

The Index is the average of the cheapest five of the eligible growths listed in the category 'medium grades' on page 4, taking the nearer shipment when prices are quoted on the same level. However, only two African Franc Zone quotations (*) are permissible Index constituents on any day. Four growths are currently listed, namely Ivory Coast, Burkina Faso, Benin and Mali cottons, which together account for roughly 80 percent of production in the region. Southern Belt new crop (as identified in Cotlook's Production Estimate) in any season only becomes eligible for the Index from January 1 onwards.

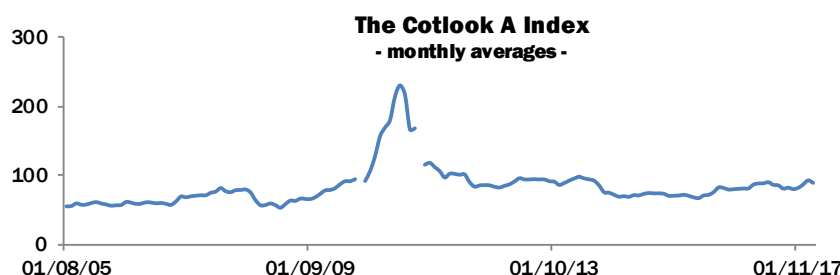
The Cotlook Dual Index system is intended to suggest prevailing levels of offering prices for cotton to be shipped both nearby and forward, by provision of two sets of Indices at the appropriate times of year. The nearby or CURRENT season's Index is for shipment no later than August/September and the other or FORWARD season's Index is for cotton to be shipped no earlier than October/November. Each Index expires at the end of its respective season, the last business day of July. On the subsequent business day, the previous FORWARD Index assumes the CURRENT role; it alone is then quoted until early in the new calendar year, when it is joined by a new FORWARD Index as soon as October/November shipment offers of the various growths are available in sufficient number to permit the establishment of appropriate values.

The 2016/17 Index expired on July 31, 2017.

Prices as at February 22, 2018

2017/2018 Cotlook A Index			90.20
Description	Price	Shpt	
Indian medium grade	86.75	3/4	
Memphis/Orleans/Texas	90.00	3/4	
Brazilian	91.25	3/4	
Ivory Coast BEMA	91.50	3/4	
Burkina Faso RUDY	91.50	3/4	

Seasons Averages	The Cotlook A Index
2012/13	87.90
2013/14	90.57
2014/15	70.78
2015/16	70.39
2016/17	82.77
2017/18	83.09
Monthly Averages	
July 2017	84.09
August 2017	79.34
September 2017	80.60
October 2017	78.60
November 2017	80.41
December 2017	85.42
January 2018	91.31
February 2018	87.60
Daily Values 2017/18	
February 16	86.60
February 19	86.85
February 20	86.85
February 21	88.70
February 22	90.20
Average for week	87.84



YARN INDEX

2005 = 100

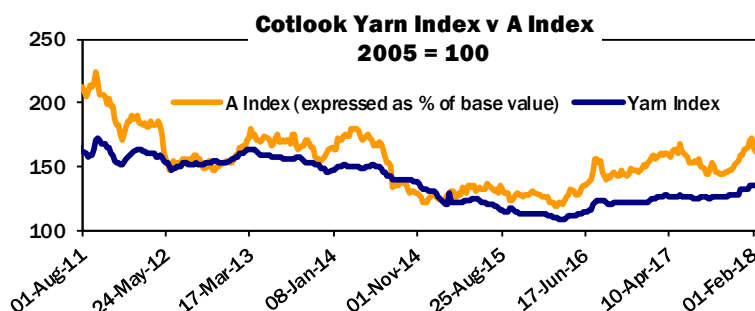
This week	134.42	Last month	135.10
Last week	134.96	Last year	125.20

Export prices (in US dollars per kilo FOB)-

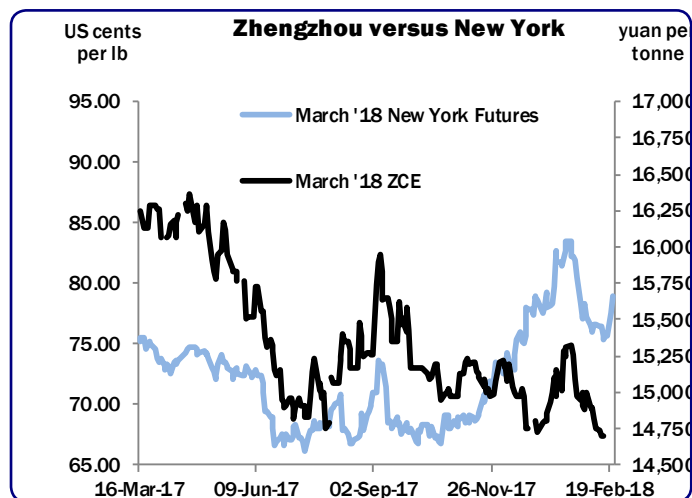
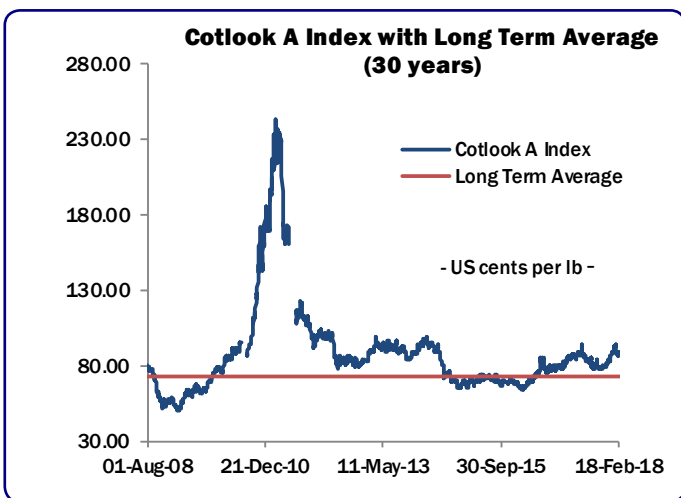
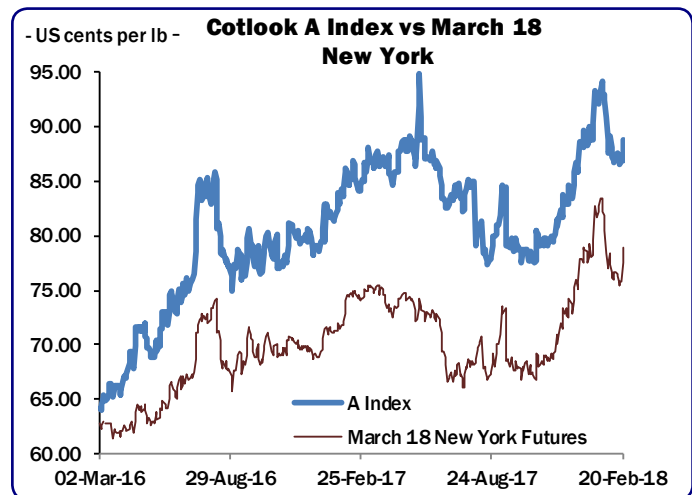
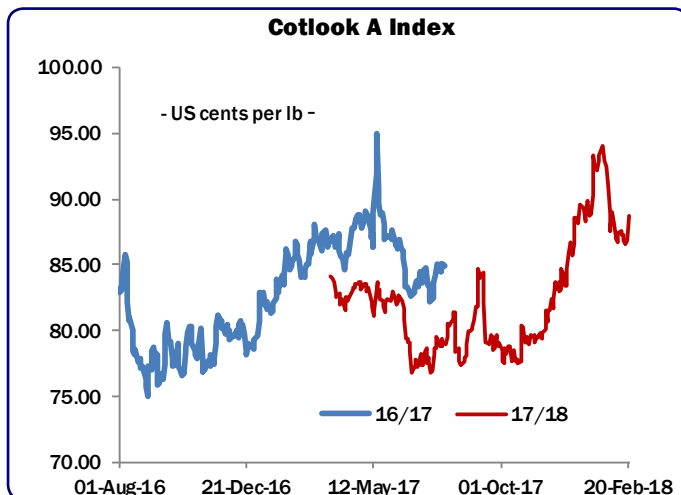
		This week	Change on week	Change on year
Pakistan	20s	2.38	-0.06	-0.06
India	20s	2.75	Unch	0.30
Turkey	20s	3.15	Unch	0.25
Indonesia	20s	2.56	Unch	unch
China	21s	3.39	Unch	0.19
Uzbekistan	20s	2.60	-0.10	0.40
Pakistan	30s	2.77	-0.06	-0.06
India	30s	3.05	Unch	0.35
Turkey	30s	3.35	Unch	0.25
Indonesia	30s	2.85	Unch	Unch
China	32s	3.56	Unch	0.20
Uzbekistan	30s	2.75	-0.05	0.25

The Yarn Index is derived from our published FOB prices for 20s and 30s counts from India, Pakistan, Indonesia, China and Turkey, each weighted to reflect exports of cotton yarn from the individual country concerned, and expressing that as a percentage of the comparable average values for 2005. In determining the weightings, we have used an average of the exports in the two most recent calendar years for which complete data are available. The prices shown for Uzbek yarn are not currently part of the Index, and are quoted on an FCA basis.

The current quotations are shown in the accompanying table, in US cents per kilo. They are for 'average quality' ring spin carded weaving single yarn.

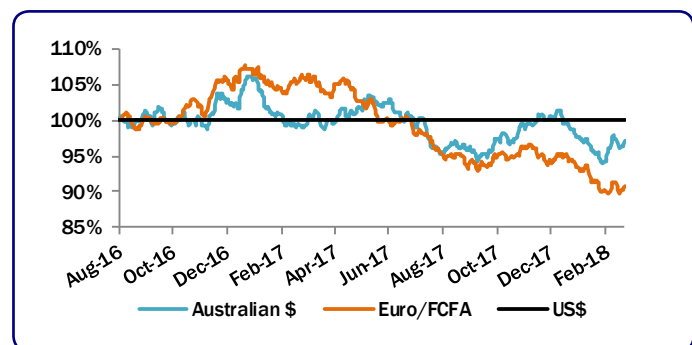
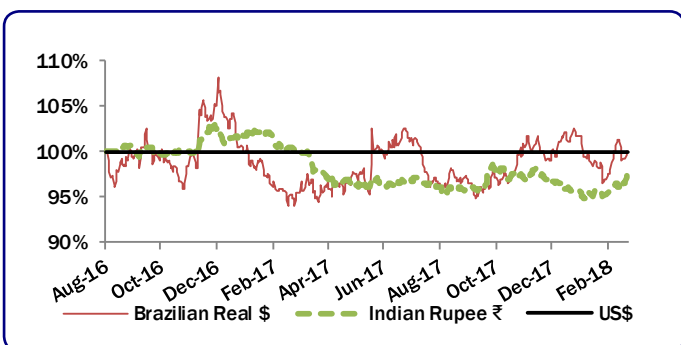


WORLD PRICE TRENDS

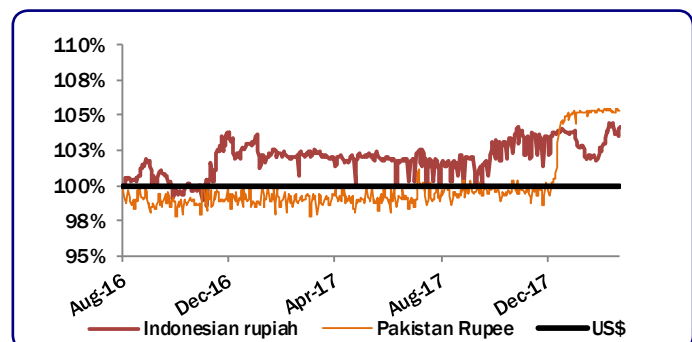
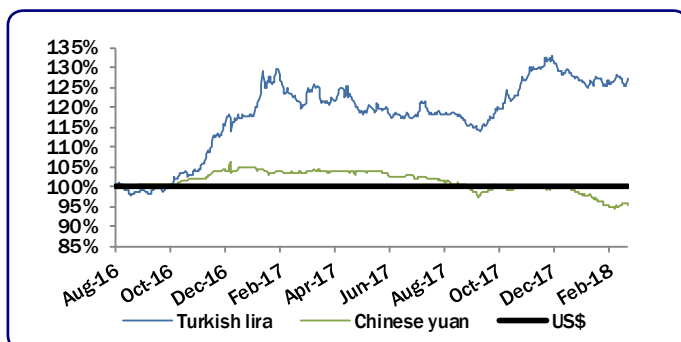


CURRENCY TRENDS

EXPORTERS' CURRENCIES VS. US\$ (AUG 1, 2016 = 100%)



IMPORTERS' CURRENCIES VS. US\$ (AUG 1, 2016 = 100%)

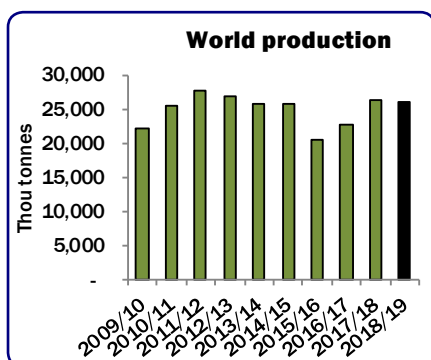


COTTON OUTLOOK'S 2018/2019 WORLD FORECASTS

Production

Our initial forecast of world raw cotton production during the 2018/19 season is made against a background of unexpectedly strong world prices, which in most major producing countries have afforded farmers and ginneries good returns from their endeavours during the 2017/18 season. Although poor yields have been observed in one or two countries or regions, overall productivity has been good, and in some places exceptional, which has further enhanced producers' incomes. Since returns from many competing crops have been poor, at least in relative terms, these initial forecasts suggest that producers for the most part intend at least to maintain the area devoted to cotton next season.

At 33,839,000 hectares, our first forecast of world cotton area in 2018/19 would represent an increase of 2.3 percent from that estimated for the current season. The projection is 4.2 percent above the average for the previous ten seasons but falls well within the long-term range. World cotton plantings have in fact rarely departed from a range of 32 to 36 million hectares since the 1950s.



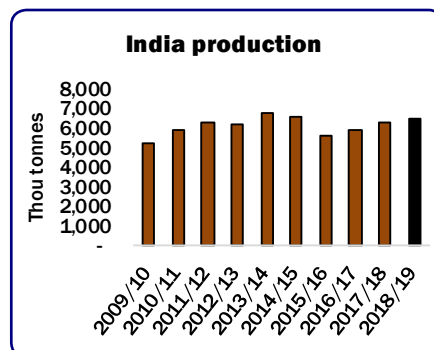
Needless to say, these initial forecasts must be accompanied by all the customary *caveats* with regard to the numerous factors that might cause them to be revised over the coming months. To illustrate that point, our latest forecast of production from the 2017/18 crops is fully 2.4 million tonnes above the initial figure suggested in February 2017.

As always, a major uncertainty concerns yields, which in some producing countries have fluctuated widely over recent seasons, in response to weather developments

and/or insect pressures. For the most part, our forecasts are based on a projection of recent average yields. Application of average yields (rather than the assumption that the excellent results of 2017/18 will be replicated) generally gives rise to a slightly conservative view of the prospects in some major producing countries.

The outcome of the foregoing is a forecast of world production of 26,126,000 tonnes, which would represent a marginal fall from the estimate for the current season.

At more than 12.2 million hectares, **India's** cotton plantings in 2017/18 were by a good margin the largest of any producing country. It is generally acknowledged that further major expansion is unlikely, given the competing claims of food crops. Moreover, the impact on yields of bollworm attacks in parts of Maharashtra and Telangana during 2017/18 have been significant and may result in a modest shift away from cotton in those two states, perhaps offset by expansion in the Northern Zone and in Gujarat.



However, producers have throughout the season enjoyed firm seed cotton prices. Where yields were acceptable, cotton has proved a lucrative crop. A further boost to the outlook has been given by the announcement in the recent budget proposals that Minimum Support Prices for *kharif* (summer) crops would be raised to 150 percent of production costs. Whether the new MSP arrangements will provide a greater fillip to cotton than to other crops is unclear.



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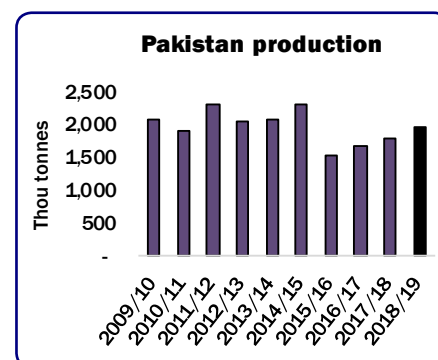
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Based on an area of 12.2 million hectares, we postulate a crop of 6,460,000 tonnes, equivalent to 38 million local bales of 170 kgs.

Although farmers in **Pakistan** have not been immune from pest attacks, the overriding influence on their new crop planting intentions promises to be the very firm seed cotton prices that have prevailed throughout most of the season. Some land is likely to be returned from other crops (principally sugarcane) to cotton, and output is forecast to rise by nearly 9 percent to 1,950,000 tonnes, still shy of the benchmark of two million tonnes that was surpassed during four consecutive campaigns between 2011/12 and 2014/15.



China's 2017/18 season was characterised by exceptionally good yields in Xinjiang. This allowed national production to exceed expectations by a considerable margin, and enhanced farmers' incomes, which are already protected under the target price system. These gains were to some extent eroded by rising production costs, particularly in southern Xinjiang where manual picking is the norm. Machine picking is expected to expand next season and in the coming years.

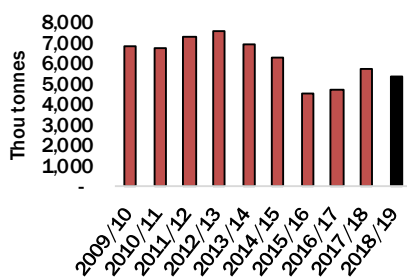
COTTON OUTLOOK'S 2018/2019 WORLD FORECASTS

COTLOOK'S INITIAL PRODUCTION ESTIMATE

	2017/2018 Crop		3 Year		2018/2019 Crop		Change Between		
	Hectares thousands	Tonnes	Estimated Yield (kg/ha)	Average Yields including 2017/2018	Hectares thousands	Tonnes	Estimated Yield (kg/ha)	Seasons Tonnes	Percentage
Argentina	420	220	524	545	450	250	556	+30	+13.6%
Australia	432	900	2,082	2,187	408	850	2,083	-50	-5.6%
Azerbaijan	130	74	569	663	155	90	581	+16	+21.6%
Benin	420	190	452	412	430	195	453	+5	+2.6%
Brazil	1,080	1,800	1,667	1,504	1,150	1,850	1,609	+50	+2.8%
Burkina Faso	710	295	415	410	735	305	415	+10	+3.4%
Cameroon	205	105	512	527	215	110	512	+5	+4.8%
Chad	160	30	188	209	160	25	156	-5	-16.7%
China	2,881	5,740	1,992	1,564	3,010	5,370	1,784	-370	-6.4%
Colombia	12	10	833	830	10	10	1,000	Unch	Unch
Côte d'Ivoire	400	135	338	374	415	140	337	+5	+3.7%
Egypt	91	68	748	624	126	85	674	+17	+25.0%
Greece	240	270	1,125	994	260	285	1,096	+15	+5.6%
India	12,260	6,290	513	511	12,200	6,460	530	+170	+2.7%
Iran	85	60	706	734	85	60	706	Unch	Unch
Israel	7	12	1,781	1,833	7	12	1,714	0	-1.6%
Kazakhstan	125	63	504	491	138	70	507	+7	+11.1%
Kyrgyzstan	20	17	850	616	25	22	880	+5	+29.4%
Malawi	90	10	111	114	80	8	100	-2	-20.0%
Mali	685	294	429	410	710	305	430	+11	+3.7%
Mexico	210	335	1,595	1,589	190	300	1,579	-35	-10.4%
Nigeria	300	50	167	163	300	50	167	Unch	Unch
Pakistan	2,753	1,790	650	668	3,000	1,950	650	+160	+8.9%
Paraguay	12	5	417	407	12	5	417	Unch	Unch
Peru	25	20	800	657	25	20	800	Unch	Unch
South Africa	37	38	1,027	978	40	40	1,000	+2	+5.3%
Spain	65	65	1,000	894	60	60	1,000	-5	-7.7%
Sudan	90	50	556	555	90	50	556	Unch	Unch
Syria	30	35	1,167	951	25	30	1,200	-5	-14.3%
Tajikistan	190	107	563	548	204	115	564	+8	+7.5%
Tanzania	350	60	171	148	450	80	178	+20	+33.3%
Togo	120	50	417	342	125	52	416	+2	+4.0%
Turkey	710	900	1,268	1,199	730	925	1,267	+25	+2.8%
Turkmenistan	545	296	543	573	545	305	560	+9	+3.0%
Uganda	74	28	378	329	74	25	338	-3	-10.7%
USA	4,593	4,629	1,008	911	4,739	4,505	951	-124	-2.7%
Uzbekistan	1,150	780	678	666	1,105	750	679	-30	-3.8%
Zambia	300	40	133	154	300	40	133	Unch	Unch
Zimbabwe	255	50	196	154	280	55	196	+5	+10.0%
Others	803	271			776	267		-4	-1.5%
World Total	33,065	26,183	792	730	33,839	26,126	772	-56	-0.2%
World excl China	30,184	20,443	677	633	30,829	20,756	673	+314	+1.5%
N Hemisphere	29,842	22,975	770	714	30,439	22,867	751	-107	-0.5%
S Hemisphere	3,223	3,208	995	895	3,400	3,259	959	+51	+1.6%
African Fr. Zne	2,753	1,109	403	385	2,843	1,142	402	+33	+3.0%
Central Asia	2,030	1,263	622	622	2,017	1,262	626	-1	-0.1%

COTTON OUTLOOK'S 2018/2019 WORLD FORECASTS

China production



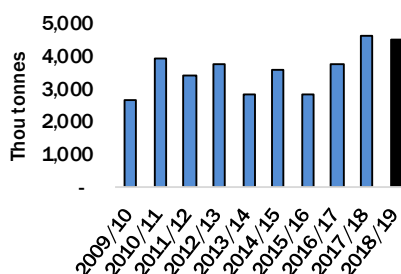
Outside Xinjiang, reports during the 2017/18 season have conveyed a far less encouraging picture, both as regards quality and the prices obtained for seed cotton.

We have therefore adopted the assumptions advanced by *Beijing Cotton Outlook*, namely that cotton area will expand by 3 percent in Xinjiang, but fall by 9 percent outside the region, where cotton is in structural decline. A return to more typical yields suggests a lint outturn more than 6 percent lower than this season's 5,740,000 tonnes.

In the **United States**, strong futures prices, record average yields and the poor relative performance of other crops should serve to maintain or increase producers' enthusiasm for cotton in most parts of the cotton belt. Rotation with peanuts is a factor in the Southeast. In the Memphis Territory, observers anticipate strong expansion, while cautioning that infrastructure (pickers, ginning capacity) may prove a constraint.

As ever, the scale of abandonment

United States production



and the yields obtained in the West Texas region, which incorporates extensive areas of dryland cotton, should prove the key to the eventual size of the crop.

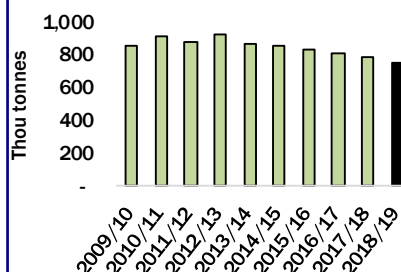
The National Cotton Council's Planting Intentions survey provides

an invaluable initial indication of the likely scale of plantings. Taking the Council's survey results as our starting point, we have assumed a three-year average for yield and abandonment in all producing states except Texas. For that state, a more arbitrary estimate of 18 percent upland abandonment has been used. Very dry conditions currently prevail on the Plains, but history has shown that spring rains can rapidly transform the situation.

These calculations indicate a crop of 4,505,000 tonnes, equivalent to 20.69 million statistical bales of 480 lbs, which is 2.7 percent below USDA's latest assessment of the outturn from the 2017/18 crop.

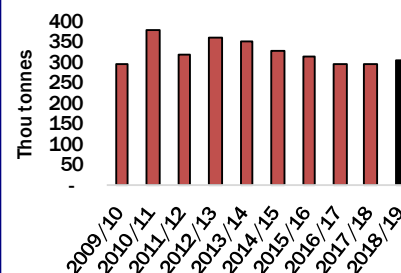
The largest Central Asian cotton producer, **Uzbekistan**, has for some time made clear that a gradual reduction of cotton plantings would take place, as less productive land was diverted to other crops. We anticipate that the trend will persist next season and suggest a fall in production approaching 4 percent. Potential changes in the structure of the cotton industry will repay close attention over the coming seasons. A recent decree provides the framework for the creation of cotton textile 'clusters', in which textile mills contract with farmers for their supply of raw cotton, subject to certain conditions. The area earmarked for a trial of the new arrangements next season is about 141,000 hectares (over 10 percent of national area).

Uzbekistan production



In contrast, the *status quo* is expected to be maintained in **Turkmenistan**, where the government will maintain control of the sector. Subject to the vagaries of the weather, production is expected to be 3 percent higher than the previous season.

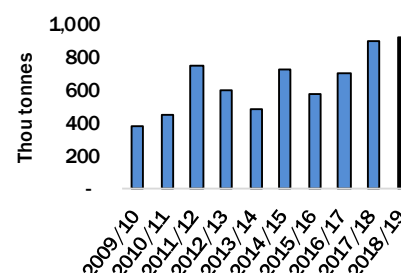
Turkmenistan production



A modest increase in output is foreseen in **Tajikistan**, attributable mainly to Chinese investment, and in **Kazakhstan**, where farmers' returns from cotton are considered better than those from competing crops.

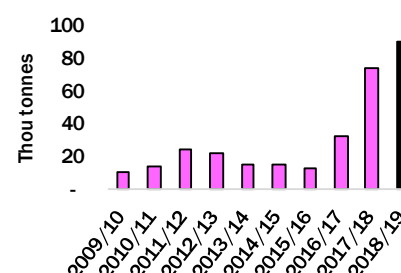
Turkey's farmers are reported to have been encouraged by the returns obtained from the 2017/18 cotton crop. Prices are supplemented by a seed cotton subsidy from the government and are viewed as more attractive than those for most competing crops. A modest increase to around 925,000 tonnes is therefore projected, which would consolidate a return to the historical highs attained in the early 2000s.

Turkey production



Azerbaijan reached a low ebb of just 13,000 tonnes in 2015/16, since when a strong recovery has been under way, a trend that is expected to persist in 2018/19. The upturn

Azerbaijan production



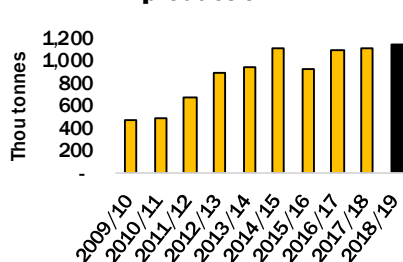
COTTON OUTLOOK'S 2018/2019 WORLD FORECASTS

is a reflection of the government's renewed commitment to agriculture in general, and to the cotton sector in particular. Since the available land is limited, however, future growth will to a large extent depend on the successful transfer to new technology and the achievement of better yields.

In **Greece**, the favourable relationship between cotton and wheat prices suggests an expansion, by about 8 percent, of the area devoted to the former crop. **Spain** has experienced a rather dry winter, and area may fall by a similar margin.

In recent seasons, the **African Franc Zone** countries have enjoyed very favourable marketing conditions, in terms of both demand and the prices obtained. The general expectation is therefore that the region's smallholder farmers will be encouraged to plant more cotton in 2018/19.

African Franc Zone production



However, as always, the timely arrival and adequate distribution of seasonal rainfall will be a key factor in determining both the area sown and the yields obtained. For the Franc Zone as a whole, output is expected to rise by almost 3 percent to 1.14 million tonnes.

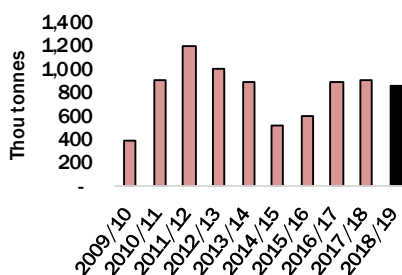
At this stage, any attempt to predict output from the Southern Hemisphere 2018/19 crops is of course highly speculative, since sowing in the countries in question will not be under way for some nine or ten months.

In **Australia**, water will as ever be the principal constraint, without which production might be expected to expand further, in response to the prevailing remunerative prices. The introduction of the Bollgard® 3 variety of cotton is acknowledged to have had a transformative effect on production practices, allowing sowing to take

place further south (where the water supply is more stable) and outside the 'window' to which farmers were previously restricted. The *potential* for both irrigated and dryland production is thus significantly enhanced.

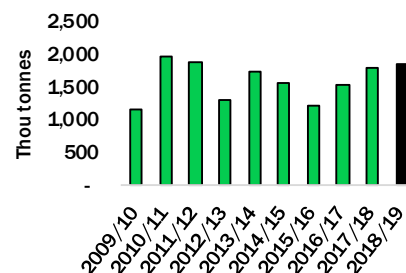
As things stand, however, farmers are at the mercy of the rainfall pattern over the next several months. We therefore take a rather cautious view and suggest that, given the current water situation, production will fall by just over 5.5 percent to 850,000 tonnes.

Australia production



Paradoxically, although **Brazil's** cotton crop is rain-grown, the availability of water is more predictable. Our figure of 1.85 million tonnes is underpinned by the good returns obtained from the past two crops.

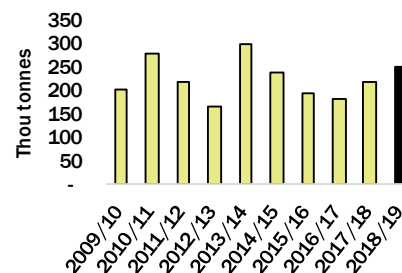
Brazil production



Yields set a new record in 2016/17 and the outlook for the recently planted 2017/18 crop is considered very promising.

The relatively unstable rainfall pattern in northern **Argentina's** cotton-producing region also renders long-term forecasting problematical. More cotton would have been sown to the 2017/18 crop, had the requisite moisture been present.

Argentina production



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COTTON OUTLOOK'S 2018/2019 WORLD FORECASTS

Consumption

World raw cotton consumption during 2017/18 has exceeded early-season expectations. Our latest estimate is 26,023,000 tonnes, about 1.5 million tonnes above the initial forecast, published in February 2017. Various factors can be cited to explain the improved tenor of mill demand.

The underlying economic situation has improved. In its January assessment of the world economic conditions, the World Bank raised its estimate of growth in global Gross Domestic Product to 3.1 percent. In addition to the easing of macro-economic headwinds, it would seem that mills are enjoying a period of relatively good trading conditions. To judge by the tenor of market reports over recent months, for many mills raw cotton replacement costs in the mid-80s (landed) appear workable, in relation to prevailing yarn selling rates. Since the start of the international cotton season in August, the Cotlook A Index has averaged just below 83.00 cents per lb.

Looking forward to a period that does not begin for several months is always fraught with difficulty, but there would seem to be grounds for cautious optimism, barring unforeseen setbacks on the economic front, that global expansion in mill use can be sustained into the 2018/19 season.

Our initial forecasts place world raw cotton consumption in 2018/19 at 26,709,000 tonnes, which would represent an increase of 2.6 percent over the figure for the previous season. After several years of sluggish improvement since the twin shocks of the financial crisis of 2008/09 and the exceptional price volatility of 2010/11, consumption appears set finally to exceed the level

recorded prior to the first of those events.

Growth in mill use, however, remains confined to a relatively small number of major consuming countries, while consumption seems in gradual decline in a number of others. Just six countries account for almost 80 percent of global raw cotton use.

Amongst these, **China** is of course of particular interest, in the context of evolving world supply and demand fundamentals and anticipated trade flows. Our forecast of 8.8 million tonnes would mark an increase of 1.6 percent from the current season but nevertheless leaves consumption well below the peak attained in 2010/11, following which it fell sharply as a combination of domestic cotton policy and the movement of the world market served to create a gulf between local and international raw cotton replacement costs. Amongst the factors that have supported the recovery, the government's continued encouragement of investment in spinning and downstream textile capacity in Xinjiang remains prominent. More generally, the recent

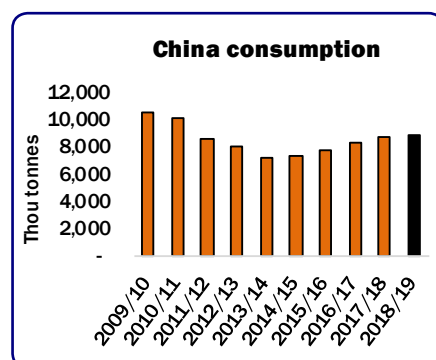
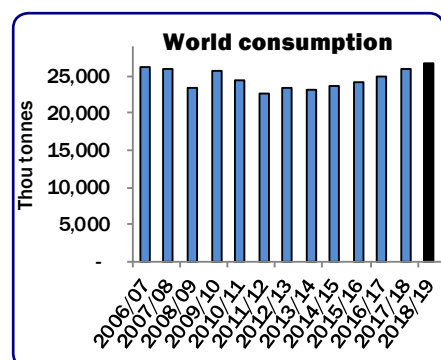
COTLOOK'S INITIAL CONSUMPTION ESTIMATE

	thousands of tonnes		Change between Seasons	
	2017/18	2018/19	Tonnes	Percentage
Argentina	130	130	Unch	Unch
Bangladesh	1,500	1,600	+100	+6.7%
Brazil	725	775	+50	+6.9%
Burma	64	64	Unch	Unch
China	8,660	8,800	+140	+1.6%
Colombia	55	55	Unch	Unch
Egypt	150	150	Unch	Unch
Germany	23	23	Unch	Unch
Greece	15	15	Unch	Unch
India	5,454	5,625	+171	+3.1%
Indonesia	750	790	+40	+5.3%
Iran	120	120	Unch	Unch
Italy	25	25	Unch	Unch
Japan	50	50	Unch	Unch
Malaysia	35	35	Unch	Unch
Mexico	397	397	Unch	Unch
Morocco	20	20	Unch	Unch
Nigeria	25	25	Unch	Unch
Pakistan	2,200	2,200	Unch	Unch
Peru	65	65	Unch	Unch
Portugal	35	35	Unch	Unch
Russia	47	42	-5	-10.6%
South Africa	25	25	Unch	Unch
South Korea	210	200	-10	-4.8%
Syria	20	15	-5	-25.0%
Taiwan	140	135	-5	-3.6%
Thailand	250	228	-22	-8.8%
Turkey	1,550	1,600	+50	+3.2%
Turkmenistan	141	145	+4	+2.8%
USA	729	743	+14	+1.9%
Uzbekistan	490	550	+60	+12.2%
Vietnam	1,450	1,525	+75	+5.2%
Others	469	498	+29	+6.2%
World Total	26,023	26,709	+686	+2.6%
Asia	22,371	22,910	+539	+2.4%
Asian Sub Cont	9,230	9,501	+271	+2.9%
ASEAN	2,565	2,658	+93	+3.6%
Americas	2,176	2,239	+64	+2.9%
NAFTA	1,127	1,140	+14	+1.2%
Africa	349	354	+5	+1.4%
EU28	151	151	Unch	Unch

convergence of Chinese and world prices would seem to place local spinners on a more competitive footing than for some time vis-à-vis their counterparts elsewhere in the world.

One might thus anticipate a reduction of cotton yarn imports, should the changed price relationship persist. China imported over 1.8 million tonnes of cotton yarn in the 2017 calendar year, which was the third consecutive year in which cotton yarn imports exceeded those of raw cotton.

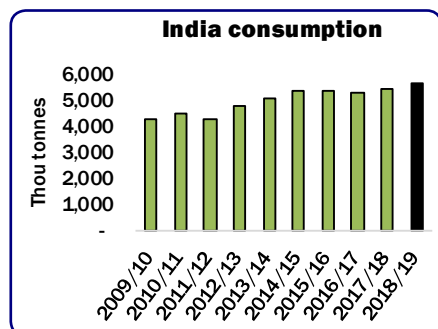
[China cotton and yarn imports](#)



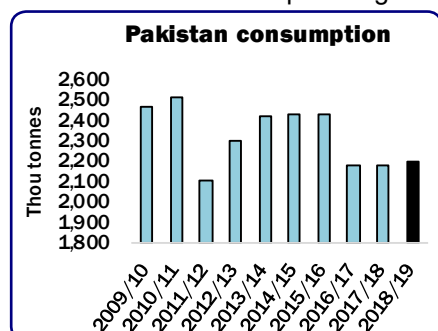
COTTON OUTLOOK'S 2018/2019 WORLD FORECASTS

Competition from polyester, however, remains strong. Despite a convergence in recent months, typical staple asking prices are estimated to be less than 60 percent of those of raw cotton, as measured by the China Cotton Index. It remains to be seen how significant the impact of new environmental regulations might eventually prove for the country's chemical fibre industry. For the time being, polyester is in abundant supply and enjoys a major price advantage in relation to cotton.

On the subcontinent, **Indian** trade sources appear confident that mill use will expand next season. New investment is reported, and spinners would seem to have weathered the disruption caused by demonetisation in 2016 and the introduction last year of far-reaching tax reform in the guise of the new Goods and Services Tax. The proposed rise in next season's seed cotton Minimum Support Prices, part of the budget proposals for 2018/19, has prompted some concern regarding future competitiveness in textile circles. The sector has also complained of a disadvantageous exchange rate. We nonetheless anticipate a rise in consumption of 3 percent.

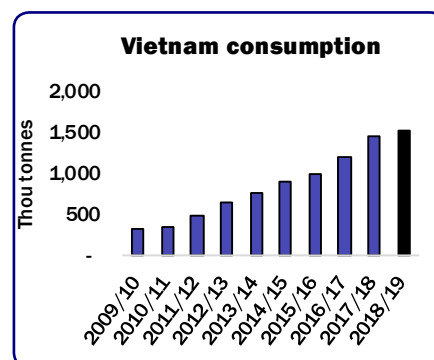
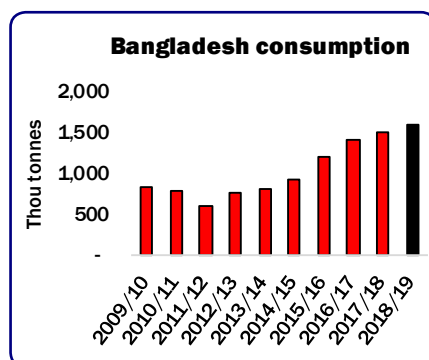


Our estimate for **Pakistan**, in contrast, is unchanged from that for the current season. New investment is described as routine, and it would seem that additional spindleage is



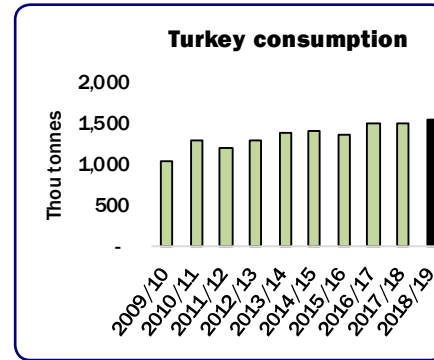
being offset by the closure of some older and less efficient units.

China apart, **Bangladesh** and **Vietnam** have in recent seasons been the two major markets in which growth in raw cotton consumption has shown the most vigour. Expansion in the first has been supported mainly by local investment in new capacity, underpinned by continued growth in readymade garment exports. In the second, inward investment has been the driving force, most notably on the part of some major Chinese textile groups. Our initial forecasts suggest that the momentum will continue in both countries, albeit perhaps at a slower pace in the latter, and that



consumption will rise by over 6 percent in Bangladesh and by about 5 percent in Vietnam.

Although the domestic economic (and political) situation gives some grounds for caution, modest expansion is also foreseen in **Turkey**.



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WORLD STOCK

The accompanying table shows our production and consumption estimates and the resultant adjustments in world stock levels during 2016/17 and 2017/18, together with our prediction for 2018/19.

Our initial forecasts suggest a fall in world stocks during the 2018/19 season of 583,000 tonnes. Those in China are projected to fall by 1.84 million, whereas a further addition to world stocks outside China of about 1.26 million tonnes is anticipated. This last element in the balance sheet is based on the assumption that import policy will be relaxed in 2019 and that imports will rise by about half a million tonnes from the figures currently indicated for 2017/18, to 1.59 million tonnes.

When they become available, comparable data produced by the United States Department of Agriculture and by the International Cotton Advisory Committee will be added to the table. Cotlook does not attempt to estimate actual stock levels.

World Cotton Balance Sheet									
Unit = 1,000 tonnes	World (excl. China)			China			World		
	16/17	17/18	18/19	16/17	17/18	18/19	16/17	17/18	18/19
Cotlook									
Production	18,087	20,443	20,756	4,690	5,740	5,370	22,777	26,183	26,126
China net trade	-1,068	-1,087	-1,590	+1,068	+1,087	+1,590			
New Supply	17,020	19,356	19,166	5,758	6,827	6,960	22,777	26,183	26,126
Consumption	16,632	17,363	17,909	8,360	8,660	8,800	24,992	26,023	26,709
Net change in stock	+387	+1,993	+1,258	-2,602	-1,833	-1,840	-2,215	+160	-583
USDA									
Opening stock	8,090	8,543	10,383	12,671	10,542	8,898	20,761	19,085	19,281
Production	18,249	20,439		4,953	5,987		23,202	26,426	
China net trade	-1,083	-1,078		+1,083	+1,078				
New Supply	17,166	19,361		6,036	7,065		23,202	26,426	
Consumption	16,819	17,527		8,165	8,709		24,984	26,236	
adjustments	+106	+6		+0	+0		+106	+6	
Ending Stock	8,543	10,383		10,542	8,898		19,085	19,281	
Net change in stock	+453	+1,840		-2,129	-1,644		-1,676	+196	
ICAC									
Opening stock	7,660	8,190	10,020	12,650	10,630	9,240	20,310	18,820	19,260
Production	18,190	20,460		4,900	5,340		23,090	25,800	
China net trade	-1,087	-1,326		+1,087	+1,326				
New Supply	17,103	19,134		5,987	6,666		23,090	25,800	
Consumption	16,510	+17,230		8,000	8,120		24,510	25,350	
adjustments	-63	-74		-7	+64		-70	-10	
Ending Stock	8,190	10,020		10,630	9,240		18,820	19,260	
Net change in stock	+530	+1,830		-2,020	-1,390		-1,490	+440	



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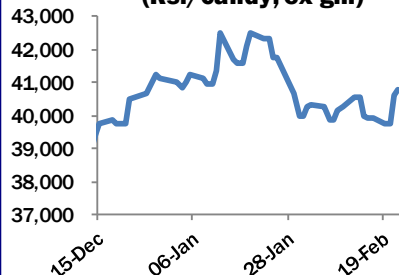
Greek & Egyptian cotton broker

INDIA

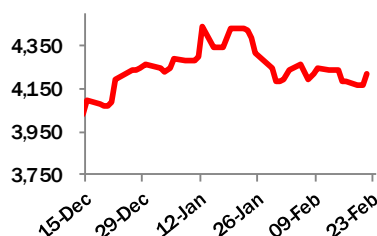
Prices

Prices for raw cotton drifted lower for four out of the five business days under review, before changing course and making significant gains on February 21. Shankar-6 rose to ₹40,600 per candy (79.90 US cents per lb), ending the week up by ₹600 per candy overall. Prices for Punjab J-34 settled on February 21 at ₹4,218 per maund (79.10 US cents per lb), down by ₹20 per maund on the week. However, price rises have been restricted in dollar terms, since the Indian rupee has undergone significant depreciation against the dollar in the last week, falling by just under 0.9 cents.

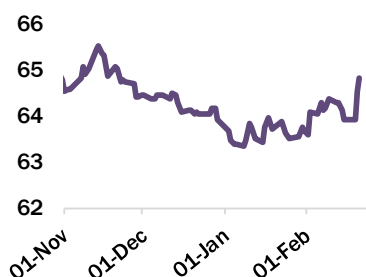
2017/18 crop Shankar-6
(Rs./candy, ex-gin)



2017/18 crop Punjab J-34
(Rs./maund, ex-gin)

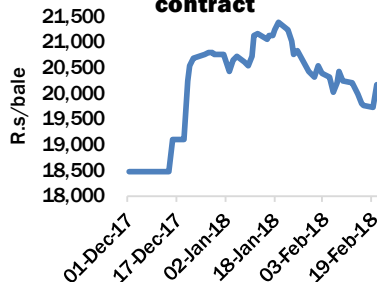


US\$ vs. Indian rupee

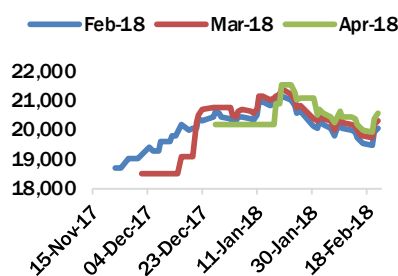


Prices on the MCX futures platform have made substantial gains this week. The lead March contract closed on February 21 at ₹20,280 per bale (₹42,423 per candy), up by ₹310 per bale (₹648 per candy) over seven days. At the prevailing exchange rate, the equivalent value was 83.20

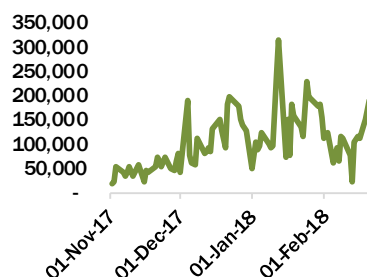
MCX March 2018 contract



MCX closing prices



MCX daily volume



US cents per lb. Turnover this week was 777,700 bales.

Private estimates of daily seed cotton arrivals have averaged 156,600 lint equivalent bales during the week.

International trade

Raw cotton exports during November amounted to 92,990 tonnes,

according to data from the Ministry of Commerce. This figure represents a significant increase from the 11,400 recorded in October. The three most important destinations were Bangladesh (40,201 tonnes), China (20,586) and Vietnam (19,305).

The cumulative total for the first four months of the statistical season (commencing August 1, 2017) amounted to 132,358 tonnes, just three percent lower than the corresponding figure for the year before. Details by country of destination are shown in the accompanying table.

Meanwhile, the figure for imports of raw cotton to India in November was 7,949 tonnes, down from 14,553 tonnes in October, and from 27,612 during November 2016. This reverses the trend seen for several months, whereby imports have outstripped exports, and restores to India a position as a net exporter, at least for November. The main origin for imports during that month was the United States, which accounted for 38 percent of November's total.

The cumulative figure for imports since the start of the current season thus amounted to 167,845 tonnes, compared with 307,204 during the corresponding period in the previous year. Cotton from the US accounted for 39 percent of this season's figure so far (compared with 19 percent a year earlier). Australia supplied 30 percent (45) and the African Franc Zone 22 percent (14).

India: cotton imports

In tonnes

	2016/17	2017/18
	Aug/Nov	
World	307,204	167,845
United States	57,122	65,586
Australia	138,091	50,636
Burkina Faso	2,805	11,252
Cameroon	9,526	9,319
Benin	4,493	8,452
Mali	17,078	4,637
Egypt	7,400	3,522
Tanzania	9,120	1,835
Brazil	6,404	1,679
Cote d'Ivoire	6,228	1,644
Chad	3,900	1,240
Uganda	2,524	1,000
South Africa	1,096	961
Israel	1,713	923
Zambia	5,212	880
Turkmenistan	6,393	872
Turkey	1,442	449
Others	26,657	2,958

India: cotton exports

in tonnes

	2016/17	2017/18
	Aug/Nov	
World	136,685	132,358
Bangladesh	54,979	70,593
Vietnam	9,752	22,505
China	57,560	21,594
Indonesia	6,992	11,846
Thailand	940	2,178
Bahrain	1,068	988
Taiwan	55	896
Portugal	226	497
Korea South	2	350
Mauritius	0	345
Japan	279	195
Peru	0	148
Italy	0	95
South Africa	0	63
Others	4,832	67

Data source: Ministry of Commerce

India: cotton yarn exports

in tonnes

Aug/Nov

	2016/17	2017/18
World	321,622	386,546
Bangladesh	51,513	53,780
China	117,840	144,089
Colombia	6,958	6,169
Egypt	9,799	20,242
Indonesia	2,705	2,124
Iran	2,281	1,306
Italy	4,197	4,773
Korea South	12,377	10,567
Pakistan	14,298	26,522
Peru	10,240	14,893
Portugal	12,037	17,385
Sri Lanka	6,360	6,101
Vietnam	6,429	6,977
Others	64,588	71,618

Exports of cotton yarn (5205: containing 85 percent or more by weight of cotton, not put up for retail

sale) during November amounted to 111,034 tonnes, or about 8 percent more than the equivalent figure a year earlier. China took 44 percent of the total, Bangladesh 13 percent, and Pakistan 8 percent.

During the August/November period, total exports of cotton yarn amounted to 386,546 tonnes, representing a year-on-year gain for the first four months of the statistical season of 20 percent. Detailed figures are shown in the accompanying table.

Garment exports fall year-on-year

According to data released by the Ministry of Commerce and Industry, exports of readymade garments in January were down by 14 percent (as measured in Indian rupees) from the same month a year ago.

Meanwhile, imports of textiles and made up articles are reported to be up by 19 percent year-on-year. Industry bodies including the Federation of Indian Exports Organisations and the Confederation of Indian Textile Industry have blamed the narrowing of the margin of exports over imports for textile products on the inverted duty structure between India and nearby markets such as Sri Lanka and Bangladesh, as well a lack of liquidity in the sector caused by delays in rebates under the Remission of State Levies scheme. They are calling on the government to take swift action in order to safeguard jobs in the industry.



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PAKISTAN

Negligible seed cotton arrivals

The latest data from the Pakistan Cotton Ginners' Association (PCGA) confirm a further slowdown in the pace of seed cotton arrivals, as the 2017/18 campaign approaches a conclusion. During the first half of February, deliveries were equivalent to 52,867 bales (local weight, say 155 kgs), down from 98,149 during the previous fortnight. The cumulative total for the season thus rose to 11,485,741 (Punjab 7,233,327, Sindh 4,252,414), against 10,685,254 a year ago.

Sales to textile mills by February 15 are placed at 10,439,641 bales (against 9,721,932 in 2017) and those to exporters at 216,615 (202,356). Unsold stocks thus amount to 800,855 bales (versus 741,875 a year earlier).

While a few dozen ginning factories continue to operate on a partial basis, processing the remnants of this season's seed cotton, most attention is now turning to new crop



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2017/2018 Crop Statistics in lint equivalent bales February 15, 2018

	Punjab		Sind		Total	
Deliveries and ginnings						
Delivered gins	7,233,327	(6,899,312)	4,252,414	(3,785,942)	11,485,741	(10,685,254)
Pressed	7,210,268	(6,882,341)	4,246,843	(3,783,822)	11,457,111	(10,666,163)
Sales						
Mills	6,614,297	(6,230,281)	3,825,344	(3,491,651)	10,439,641	(9,721,932)
Exporters	25,850	(56,100)	190,765	(146,256)	216,615	(202,356)
Unsold Stocks	570,121	(595,960)	230,734	(145,915)	800,855	(741,875)

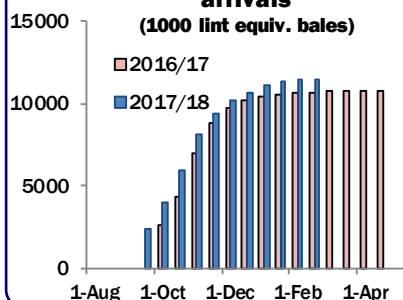
Source: Pakistan Cotton Ginners' Association.

Arrivals by District

- lint equivalent bales -

	2017/18 to Feb 15	2016/17 to Feb 15	% Chg
Punjab:			
Multan	283,112	294,482	-3.9%
Lodhran	170,160	191,772	-11.3%
Khanewal	705,031	579,738	+22%
Muzaffar garh	366,658	326,680	+12%
Dera ghazi khan	437,628	336,832	+30%
Rajapur	447,755	333,312	+34%
Layyah	294,142	269,241	+9%
Vehari	585,376	382,727	+53%
Sahiwal	274,869	211,571	+30%
Pakpattan	39,130	41,909	-6.6%
Okara	15,775	19,086	-17.3%
T.t. singh	177,043	158,529	+12%
Faisalabad	38,339	39,580	-3.1%
Jhang	21,328	30,102	-29.1%
Mianwali	206,265	264,342	-22.0%
Bhakkar	85,097	61,641	+38%
Sargodha	7,293	9,847	-25.9%
Rahim yar khan	1,070,885	1,144,954	-6.5%
Bahawalpur	1,006,921	981,352	+3%
Bahawalnagar	1,000,520	1,221,615	-18.1%
Total Punjab	7,233,327	6,899,312	+4.84%
Sindh:			
Hyderabad	252,307	227,486	+11%
Mirpur khas	221,367	270,524	-18.2%
Sanghar	1,382,937	1,230,041	+12%
Nawabshah	348,299	327,157	+6%
Naushero feroze	375,311	336,411	+12%
Khairpur	337,518	289,517	+17%
Ghotki	384,583	301,574	+28%
Sukkur	616,765	543,442	+13%
Dadu	69,182	44,791	+54%
Jamshoro	130,110	112,036	+16%
Badeen	17,335	27,027	-35.9%
Baluchistan	116,700	75,936	+54%
Total Sindh	4,252,414	3,785,942	+12.32%
Grand Total	11,485,741	10,685,254	+7.49%

Pakistan seed cotton arrivals (1000 lint equiv. bales)



plantings. Recent seed cotton prices have remained under pressure and were quoted earlier in the week between Rs. 2,700 and Rs. 3,200 per 40 kilos, depending on the quality. Nevertheless, the prevalence of good seed cotton prices during most of the campaign now ending is likely to prompt an expansion in the area devoted to the 2018/19 crop.

Sowing in the early-planting areas of Sindh province is expected to begin early next month, but first an increase in temperatures will be required. Rather cool conditions have

lately prevailed across most of the cotton belt, particularly at night. The Meteorological Department does not anticipate any change in the short-term weather pattern.

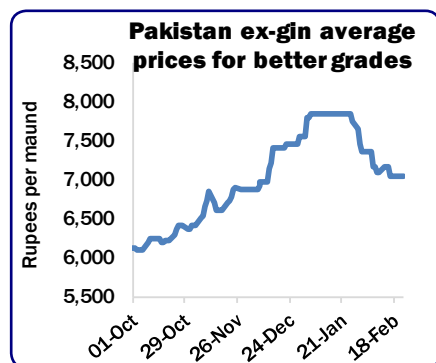
Poor domestic cotton demand

Business activity on the local raw cotton market remains very subdued. Mills are well covered, and few have shown any interest in fresh purchases, despite the willingness of ginneries to discount their asking prices. Although the bigger textile groups have a good level of coverage, other mills have been very cautious buyers recently, in the face



of the current challenging conditions in the yarn and textiles market.

On February 21, desirable quality supplies were commanding between



Rs. 6,900 and Rs. 7,200 per maund (at the prevailing exchange rate, roughly 75.90/79.20 US cents per lb), ex-gin, down Rs. 100, compared with last week.

On the same date, the KCA's official spot rate for Grade III, 1-1/16" staple, Micronaire 3.8/4.9 NCL, from the 2017/18 crop was established as Rs. 6,900 per maund, ex-gin (Rs. 100 lower on the week).

Limited import demand for Indian styles

Mill enquiry for imported growths has been modest over the past few days. Although lower Indian offers have attracted some buying interest, spinners have been wary of the possibility of further declines in prices and thus have been more prudent buyers. Furthermore, as most mills are now in possession of better cover, spinners have been more selective and recent purchases have been mostly of a gap-filling nature. Nevertheless, Indian business has continued to feature and has included Shankar-6 (29mm staple, strength 29 gpt) moving off between 81.50/82.50 cents per lb, CFR Karachi, with lower quality specifications trading at discounted prices. Some retail business in US 'recaps' has continued at varying prices, depending on the specifications.

Fine count spinners have remained very cautious buyers and turnover continues to be low.

Yarn and Textiles

Cotton yarn rates lowered

Bearish conditions have prevailed in the local yarn and tex-

tiles market. Yarn demand has failed to improve during the past week and spinners have continued to report sluggish yarn off-take from local weavers and knitters. Textile manufacturers have largely remained on the sidelines in view of falling yarn prices and have bought yarn against only their most pressing requirements. An accumulation of yarn stocks has also been reported by some spinners. On a positive note, the European Union is expected to confirm a further two-year extension of the Generalized System of Preferences Plus status for Pakistan.

Recent export demand for yarn has remained slow. Holiday considerations in Far Eastern markets have continued to hinder business prospects.

Reflecting the weaker market conditions, the general range of export asking rates for 20/21s carded yarn has been reduced in US dollar terms, to around US\$420/445 per 400 lb bale, FOB, while those for 30/32s carded yarn are also lower at around \$490/515.

Polyester staple prices are unchanged, quoted in the range of Rs. 152/154 per kilo.



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BANGLADESH

Global Cotton Summit

The Bangladesh Cotton Association (BCA) is holding a "Global Cotton Summit" in Dhaka on the 23rd and 24th of this month. The Summit has been organised by the BCA in association with the Bangladesh Textile Mills Association (BTMA). The aim of the Summit is to develop partnership opportunities between spinners, traders, agents, growers, ginnerers and controllers.

Local market looks to fill gaps

Several spinners have been in the market for prompt shipment supplies. In this regard, African Franc Zone and Indian (organic) offers have been under scrutiny. Some buyers have been enquiring for Australian styles, for shipment May/July. Those mills with 'on-call' contracts have been actively fixing their unfixed commitments.

Confirmed business recently concluded has involved Indian Shankar-6, GM, 1-5/32", Micronaire 3.7/4.9 NCL, 29 GPT booked at 85.50 cents per lb, for shipment February, and Brazilian Middling, 1-1/8", G5, 28 GPT taken up at the equivalent of 1,275 cent points 'on' May ICE futures, for March shipment. In addition, Spanish SM,

1-5/32", Micronaire 3.7/4.9 NCL, 29 GPT has found buyers at 1,425 points 'on' May, for shipment April; and Turkmen BGM, 1-5/32", Micronaire 4.0/4.9 NCL, 29 GPT was purchased at 93.50 cents, for shipment May '18.

In contrast with the firmer shipment prices, this week's ex-warehouse asking prices in Narangonj have been weaker. Offering rates for Indian Shankar-6, 1-1/8" have fallen by around 50/100 points, to 86.50/87.00 cents per lb, and those for MCU-5, 30/31 mm by around 50 points to 88.00/89.00 cents. Consigned stocks of African Franc Zone 's' grades, staple 1-1/8" have been pitched at 91.50/92.50 cents per lb, around 200 points less expensive than last week. Asking prices for Australian top grades, 1-5/32" have been reduced by one cent to around 95.00 cents per lb.

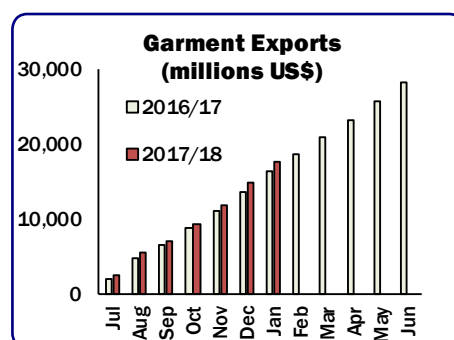
Yarn and textiles

Typical offering rates for carded cotton 30s yarn have been stable, with a modest increase at the top end to around US\$ 3.30/3.40 per kilo. Having been subject to a weaker trend during the past couple of weeks, prices have found some support from recent higher cotton replacement costs. Spinners have been faced with power shortages and the prospect of higher prices for gas.

Ready-made garment exports continue to expand

According to the Export Promotion Bureau (EPB), garment export returns during January (the seventh month of the 2017/18 fiscal year) once again exceeded the amount recorded a year earlier. Earnings during the month rose, year-on-year, by just over 6.6 percent to US\$2,882 million; however, this was a slower increase than the 9 percent recorded in December. The total for the July/January period was US\$17.655 billion, up 7.6 percent from a year ago.

Woven garment exports amounted to US\$8,749 million (rounded) for the seven-month period, an increase of over 4.7 percent. However, woven apparel was once again outperformed by the knitwear sector, the revenue from which rose by 10.5 percent, year-on-year, to over US\$8.906 billion.





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CHINA

Market prices

Prices in the spot market have rebounded slightly after the holiday period. Handpicked Type 3128 Xinjiang cotton is quoted in the region at 16,000 yuan per tonne, and machine-harvested lots at 15,800 yuan.

Zhengzhou cotton futures have settled higher in all but the nearby March contract. The lead May delivery settled above 15,000 yuan per tonne for the first time since February 8. Weekly turnover has been light, owing to the New Year holiday.

Zhengzhou Cotton Futures

	Settlement			Volume*	Open Interest
	yuan per tonne			number of contracts	
	14-Feb	22-Feb	Chng	Past Week	22-Feb
Mar	14,705	14,690	-15	30	3,060
May	14,915	15,005	+90	57,674	306,896
July	15,060	15,155	+95	6	168
Sep	15,380	15,470	+90	11,760	94,192
Nov	15,615	15,615	+0	-	58
Jan	15,535	15,640	+105	2,224	21,218
				71,694	425,592

*Counting both the sale and the purchase.

Prices on the **China National Cotton Exchange** have ended higher. The biggest gain was registered in the forward June contract.

CNCE

22 February 2018

Delivery	Turnover	Average	Change	US
	in tonnes	price in	on week	cents
		yuan per		per lb
		tonne		equiv.
Type 328 (domestic 'MA')				
MAR18	0	14,850	+7	104.70
APR18	40	14,903	+49	105.07
MAY18	760	14,955	+57	105.44
JUN18	1,520	15,005	+61	105.79
JUL18	1,300	15,078	+26	106.31
AUG18	1,460	15,103	-	106.48
Total	6,200	0	-	

The **China Cotton Index** (basis Type 3128B) is unchanged on the period, at 15,689 yuan.

For **man-made fibres**, the rate quoted for polyester staple has increased modestly, to 9,100 yuan per tonne, equivalent to 58 percent of the CC Index. Prices for viscose have ended the period unchanged, at 14,600 yuan (93.10 percent).

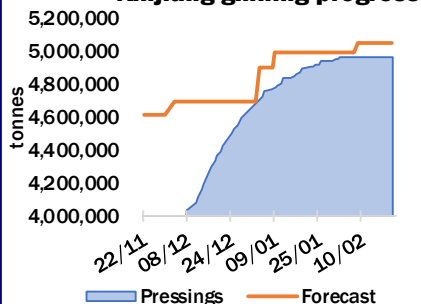
Jiangsu: spot market sluggish

Some spinners in Jiangsu have restarted their operations, but lint transactions have remained sporadic. Most spinners are now holding stocks that can meet production for 20 to 30 days and are not active buyers. Growers in the region are reluctant to expand planting area, given the lack of supportive subsidy policies in the 'mainland'.

Pressing data

By February 21, a total of 4,968,141 tonnes of lint had been pressed in Xinjiang, consisting of 3,464,477 tonnes from the local cooperative system, and 1,503,664 from the PCC (army group). The total represents 98.4

Xinjiang ginning progress



International Prices

Data as at 22 February, 2018

	Yuan per tonne equiv. + insurance	Inc. one percent tariff + 11 percent VAT	Approximate delivered mill value inc. 40 percent duty & 11 percent VAT
Cotlook A Index	13,257	14,814	19.94
Texas SM	13,443	15,022	20.20
Uzbek SM	13,977	15,621	21.05
Australia SM	14,191	15,861	21.43
Burkina Faso BOLA/s	13,585	15,182	20.49
India Shankar-6	12,908	14,423	19.43
Benin KABA/s	13,657	15,262	20.60
Cameroon IRMA/s	13,657	15,262	20.60
Cameroon PLEBE 1-5/32"	13,870	15,502	20.93
Ivory Coast MANBO/s	13,585	15,182	20.49
Mali JULI/s	13,728	15,342	20.73
China domestic prices yuan/tonne			chg on week
CC Index	15,689	Unch	110.
CNCE MAR	14,850	7	104.
ZCE MAR	14,690	-15	103.
Xinjiang Type 137	25,200	Unch	177.
Xinjiang Type 237	24,500	Unch	172.
yuan/tonne			chg on week
polyester	9,100	25	141.
viscose	14,600	Unch	226.
Yuan/kilo			cents
32s carded yarn	22,920	Unch	360.
40s combed yarn	24,490	Unch	385.

percent of this month's revised forecast of the region's output (5,050,000 tonnes). During the Lunar New Year holiday period, over 2,200 tonnes of cotton were ginned.

Volume in the 'mainland' by the same date was given as 216,557 tonnes.

The amount inspected, according to CNCE data, represented 5,160,093 tonnes (1,098,600 more than last year, or up 27 percent), including 4,919,133 tonnes from Xinjiang. 1,020 ginneries have participated in the inspection process in 2017/18, which is 39 more than in the previous season.

KAZAKHSTAN

Kazakhstan has reportedly shipped some 35,545 tonnes of raw cotton during the first five months of this season – similar to the level recorded during the same period in 2016/17. The main destination was the Latvian port of Riga, to where nearly 59 percent of the total was directed for further dispatch to final destinations. The second most important destination was Moldova (17 percent), followed by Russia (11).

Other export markets, taking smaller volumes, included the customary destinations of Belarus, China and Turkey.

By the end of last season, the total volume exported throughout the period amounted to some 58,712 tonnes, according to final official statistical data. A similar figure could be expected this season, as production is likely to be maintained while domestic consumption is expected to recover only slightly.

2017/18 Raw Cotton Exports

Origin	2016/17	2017/18
	Aug/Dec	Aug/Dec
CIS:		
Moldova	4,800	6,096
Russia	7,600	3,934
Belarus	1,500	2,017
Ukraine	0	60
Non-CIS:		
Latvia	20,200	20,990
Others*	1,900	2,448
Total	36,000	35,545

* incl. Turkey, China

Sources: Customs / Kazakh Stats office.

EGYPT

Exports

The quantity registered for export last week by *Alcotexa* (the exporters' association) totalled 480 tonnes, comprising 50 tonnes of Giza 87 at 167.00 US cents per lb FOB, 230 tonnes of Giza 86 (150 tonnes at 145.00 cents and 80 tonnes at 147.00 cents) and 200 tonnes of Giza 94 at 144.00 cents. Cumulative registrations for shipment during the current season thus increased to 47,045.03 tonnes. Of that quantity, 27,717.58 tonnes (59 percent) have been shipped.

India continues to be the predominant export destination, accounting for 58 percent of commitments to date. Some two

2017/18 season export data

(as at Feb 3, 2018)

	Registered	Shipped	%age shipped
India	27,130.30	17,812.00	66%
Pakistan	4,026.10	3,154.60	78%
Egypt FZ	4,269.25	1,944.50	46%
China	2,419.90	1,723.00	71%
Brazil	753.00	330.00	44%
Emirates	930.00	-	0%
Bangladesh	1,332.00	1,182.00	89%
Italy	327.50	277.00	85%
Others	5,865.98	1,294.48	22%
Total	47,054.03	27,717.58	59%

thirds of the quantity committed to India have actually been shipped.

Lint output

According to the *Cotton Arbitration and Testing General Organization*, the total amount of cotton lint produced

this season currently stands at 1,289,000 cantars (64,450 tonnes). This figure is not final, however, and may rise further in the coming weeks. Cotlook's estimate for lint production this season is 68,000 tonnes, though some observers are of the opinion that this figure might be slightly exceeded in the final reckoning.

Raw cotton imports

According to the *Central Agency for Public Mobilization and Statistics*, imports of raw cotton during the first four months of the 2017/18 international statistical season amounted to 29,011 tonnes. As in previous years, Greece was the principal supplier, accounting for 36 percent of the season's total so far; it was followed by Sudan (28 percent) and the USA (13 percent).



FAR EASTERN MARKETS

Holiday influences, higher ICE futures and firmer shippers' asking prices have generally impeded recent mill demand and buying activity in the region. Thus, during the past week, reports of significant purchases have been thin. There has been a dearth of business activity in China, Vietnam, South Korea and Japan, but there have been reports of cotton purchases by mills in Indonesia.

During the past week, spinners in **Indonesia** have focused on securing supplies for prompt or second quarter shipments. Business has included Brazilian Middling, 1-3/32 to 1-1/8", G-5, at 86.50 cents per lb, for prompt shipment from Malaysia; and Middling Light Spotted, 1-1/8", G-5 at 85.00 cents, for April shipment. A parcel

of Ugandan Type One, 1-5/32", G-5 has changed hands at 88.00 cents per lb, for prompt shipment. In addition, Australian SM, 1-5/32", G-5 has moved off at 93.00 cents, for April, together with US Eastern/M/O/T Middling, 1-1/8, G-5 at 86.25 cents, also for April, and 31-3-35 'green cards' at 86.25 cents, for May.

Japan's August/December cotton imports

According to data from the Japan Cotton Traders' Association (JCTA), raw cotton imports for the international cotton statistical season (commencing August 1) to the end of December reached 20,236 tonnes, versus 19,000 tonnes during the same period last season.

In terms of origin, over 49 percent were from the United States, 27 percent from Australia, 8 percent

from Greece, 7 percent from Brazil and 4 percent from Argentina. Other origins accounted for less than 1,000 tonnes in total.

Japan			
Raw cotton imports (tonnes)			
Country	2015/1	2016/1	2017/18
	Aug-Jul	Aug-Jul	Aug-Dec
U.S.A.	27,588	24,093	9,981
Australia	11,263	13,212	5,502
Greece	12,689	6,203	1,602
Brazil	6,333	4,174	1,370
Argentina	3,360	1,662	850
Mexico	1,487	974	288
India	787	757	142
Zimbabwe	782	423	403
Turkey	353	363	45
Egypt	243	129	53
Spain	0	90	0
Peru	68	60	0
Senegal	0	24	0
Burkina Faso	125	0	0
Cameroon	25	0	0
South Africa	94	0	0
Total	65,197	52,163	20,236



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UNITED STATES

ICE futures advance

The lead May '18 contract surged late in the period as speculative buying picked up, moving above 80.00 cents to trade as high as 80.52 cents on Wednesday, February 21 and settling at 80.39 cents/lb on that day. A settlement above this level was last reached on January 26, and a contract high of 83.79 set on January 19. General speculative buying lifted the nearby months, with a return of funds to agricultural commodities. During the holiday-shortened period, the May contract gained 342 points. Strong support is noted at between 78.00 and 79.00 cents and resistance at around the 80.00-cent level.

The rising futures market may serve to ration the remaining supply of current crop cotton. Meanwhile, gains in the December '18 contract could attract or at least retain some cotton acres in the US this spring. However, growers are still looking for futures prices several cents higher.

ICE No. 2 Cotton Futures

(in cents per lb)

No. 2:

	21-Feb	14-Feb	Change
Mar-18	78.91	75.60	3.31
May-18	80.39	76.97	3.42
July-18	81.10	78.00	3.10
Oct-18	77.94	76.40	1.54
Dec-18	76.40	75.64	0.76
Mar-19	76.60	75.85	0.75
May-19	76.38	75.75	0.63
July-19	75.99	75.60	0.39
Oct-19	73.86	73.48	0.38
Dec-19	71.59	71.21	0.38

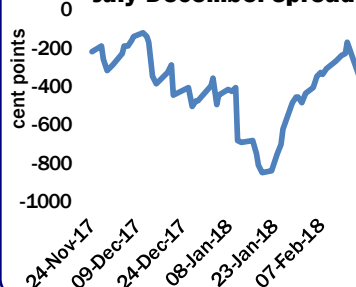
Certificated stock as of Feb. 20 totaled 92,923 bales.

Chicago Futures

(in cents per bushel)

	21-Feb	14-Feb	Change
Soybeans			
Mar-18	1034.25	1017.25	17.00
May-18	1045.50	1027.75	17.75
July-18	1055.00	1037.50	17.50
Wheat			
Mar-18	447.25	455.75	-8.50
May-18	459.50	469.25	-9.75
July-18	474.75	483.75	-9.00
Corn			
Mar-18	365.75	367.25	-1.50
May-18	374.00	374.75	-0.75
July-18	381.75	382.50	-0.75

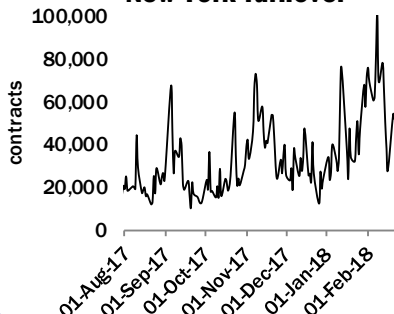
July-December spread



The July/December spread ended on February 21 at a 470-point July premium, much wider than the 236-point prevailing a week earlier.

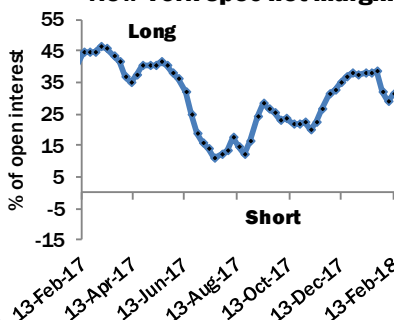
An estimated 172,200 contracts changed hands during the four-day period ended February 21.

New York Turnover



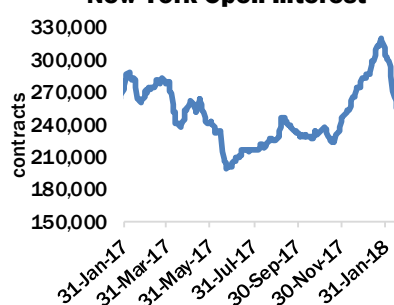
Speculators made a reduction to both long and short holdings during the week ended February 13, resulting in a net long margin of 31.7 percent of the total open interest (266,641 on the report date). Speculators reduced longs by 9,718 and shorts by 9,479 during the period, according to the latest CFTC report. Commercial traders increased their net short position to 34.2 percent of the open interest, after reducing longs by 13,965 and shorts by 15,174.

New York spec net margin



Open interest stood on February 20 at 251,852 contracts, having continued to retreat from the recent peak, recorded on January 25, of 320,744.

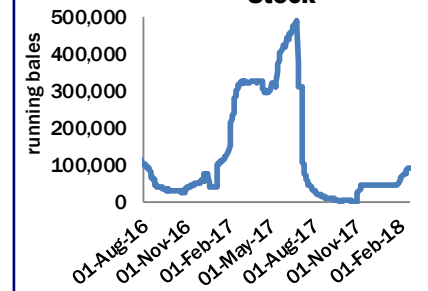
New York Open Interest



Open interest in March '18 continued to fall ahead of the First Notice Day on February 22.

Certificated stocks were reported on February 20 at 92,913 bales. Since January 1, 45,322 bales have been certificated and merely 175 bales 'decertificated'.

No. 2 Contract - Certified Stock



A total of 74,124 bales were sold on the spot market during the week ended February 21, increasing the season's running total to 1,459,625 bales. Most of the cotton traded (71,224 bales) came from East Texas/Oklahoma and West Texas. With the approach of the First Notice Day for March '18, merchants have rolled their positions to the May '18 delivery. Basis levels have weakened slightly for Southeastern and Memphis Territory growths but have remained virtually unchanged elsewhere.

Trading was active on *The Seam* during the four-day period ended February 21. An additional 58,212 bales changed hands, raising the year-to-date total to 1,354,267. Most of the week's sales were reported on the Grower-to-Business side, with a vast majority of the cotton traded originating from the Southwest.

CCC Loan Activity

Current crop upland entries into the Commodity Credit Corporation's loan program rose by 272,287 bales to 9,232,270 during the period ended February 12. A total of 606,882 bales were redeemed from the 2017/18 crop, while no bales were repossessed from the 2016/17 season. The outstanding stock for both crop years therefore fell to 4,266,561 bales, of which cooperatives and loan servicing agents accounted for the majority of the balance (3,911,253), leaving independent growers with 355,308 bales.

Pima business has been slow in recent weeks, and prices typically

US UPLAND AND PIMA STATISTICS

Basis Levels

2017/18
cents per lb

Southeast	SLM 1-3/32"	50 "off" to 50 "on"
Memphis Territory	SLM 1-3/32"	100 to 200 "off"
Texas/Oklahoma	SLM 1-3/32"	300 to 350 "off"
Far West - SJV	Midd 1-3/32"	450 to 650 "on"
DSW - Arizona	Midd 1-3/32"	even to 125 "off"

May '18 New York Futures FOB railcar/truck - Southeast and Memphis Territory. FOB whse - Arizona uncompressed, California compressed.

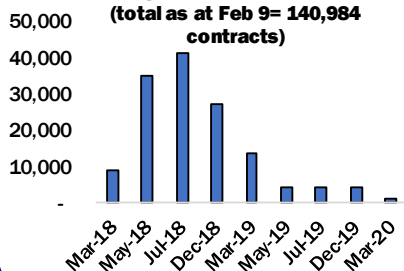
** Premium required by growers to enter commitment to sell cotton held in the CCC Loan

remain unchanged. Cotlook's Pima 2-2-46 quote is still reported at 166.00 cents/lb. Business is expected to pick up after the Chinese Lunar New Year holiday. Some merchants are cautious regarding new crop pending disposal of their remaining current crop balances (which are estimated, in total, to represent about 25 percent of the season's output).

Unfixed on-call sales continue to decline

For the week ended February 9, the CFTC reported a decrease of on-call sales from the previous week, at 140,984 contracts (down 4,359). Unfixed on-call sales for March were sharply lower at 8,942 contracts (down 8,990 contracts from the previous week). Those for May were 35,128 (down 753) and those for July 41,487 (131).

Unfixed on-call sales by contract month (total as at Feb 9= 140,984 contracts)



USDA initial projections for 2018/19

USDA will announce its first 2018/19 supply and demand numbers at the Agriculture Outlook Forum in Washington on February 22 and 23, with the latter date also marking the release of Washington's full cotton report from USDA staff.

Rains reported from West Texas to Delta

Drought conditions worsened in the Far West and Southwest during the week ended February 13, as

LOAN STATISTICS

CCC Data as of February 12, 2018 (running bales):

Crop	Total Entries	Repossessions	Forfeitures	Outstanding Stock
17/18	9,232,270	4,965,858	0	4,266,412
16/17	9,372,917	9,372,752	16	149
Totals	18,605,187	14,338,610	16	4,266,561
Last period's total (Jan. 31)				4,601,156

*Including 355,308 bales held by individuals and 3,911,253 by cooperatives

Details by state for 2016/17 crop and 2017/18 crop upland cotton remaining under loan are as follows (the figures include cotton from both individual growers and the cooperatives):

	2017/18	2016/17
N. Carolina	187,214	-
S. Carolina	125,680	-
Georgia	536,014	117
Alabama	179,904	32
Florida	33,857	-
Virginia	20,414	-
Southeast	1,083,083	149
Tennessee	339,922	-
Missouri	317,718	-
Mississippi	532,783	-
Arkansas	406,350	-
Louisiana	83,119	-
Memphis Terr	1,679,892	0
Texas	1,212,233	-
Oklahoma	83,794	-
Kansas	30,312	-
South West	1,326,339	0
New Mexico	21,028	-
Arizona	90,011	-
California	66,059	-
Far West	177,098	0
Upland Total	4,266,412	149

Pima CCC Loan Activity

running bales to February 12, 2018

	Total	Repayments	Forfeitures	Outstanding
	Entries			Stock
2017/18	325,296	181,061	-	144,235
2016/17	284,963	284,963	-	0
	610,259	466,024	-	144,235
Previous Total Outstanding (Jan. 31):				143,718
		2017/18		2016/17
Arizona		14,501		-
California		114,443		-
New Mexico		5,214		-
Texas		10,077		-
Pima Total		144,235		0

reported in the US Drought Monitor data. Soil moisture levels in California, which range from 'abnormally dry' to 'moderate drought', declined further. An 'extreme drought' was reported across nearly all of the Texas High and Rolling Plains, leaving only a few areas rated 'severe drought'.

Since the report was issued, welcome rain has fallen in West Texas, ending the excessively dry weather pattern. Nevertheless, lack of moisture is still hampering field preparations. According to the National Weather Service, as of February 20, there had been 137 days with daily precipitation less than 0.25" in Lubbock, which in historical terms is the 15th longest period.

The transportation of modules from fields to gins is nearing an end.

SPOT MARKETS

OFFICIAL QUOTATIONS FOR SLM 1-1/16" (41/4/34):

	Prices (cents per lb)	Turnover
	21-Feb	14-Feb
Southeast	79.89 (76.10)	646
N. Delta	78.39 (74.60)	0
S. Delta	78.39 (74.60)	0
E. Tx/Okla	74.25 (72.75)	36,449
West Texas	73.50 (72.00)	34,775
Desert Southwest	75.39 (70.85)	2,254
San Joaquin Valley	75.89 (71.60)	0
7 MARKET AVERAGE	76.53 (73.21)	

Turnover for the period ending February 21 74,124
Total turnover for season to February 21 1,459,625

Selected markets to Feb. 21 (Feb. 14 values in parenthesis)

NORTH DELTA

	Middling (31)	SLM (41)
1-1/16" (34)	79.14 (75.35)	78.39 (74.60)
1-3/32" (35)	80.14 (76.35)	78.39 (74.60)

Basis for SLM 1-1/16" (41/34):

NY No.2 May '18 -200

SAN JOAQUIN VALLEY

1-3/32" (35)	84.79 (80.50)	77.89 (73.60)
1-1/8" (36)	88.29 (84.00)	78.69 (74.40)

Basis for Midd.1-3/32" (31/34):

NY No.2 May '18 +440

WEST TEXAS

15/16" (32)	71.00 (69.50)	69.50 (68.00)
1" (33)	73.00 (71.50)	70.25 (68.75)
1-1/32" (34)	73.75 (72.25)	73.50 (72.00)

W. Texas Micronaire (cent points per lb):

	21-Feb	14-Feb
24 & Below	-1825	-1825
25-26	-1650	-1650
27-29	-1275	-1275
30-32	-925	-925
33-34	-700	-700
35-36	0	0
37-42	0	0
43-49	0	0
50-52	-225	-225
53 & Above	-350	-350

Strength grams/tex (cent points per lb):

	Mfs Terr	W Texas	SJV
19.0-19.9	* -250	*	*
20.0-20.9	* -250	*	*
21.0-21.9	-300 -225	*	*
22.0-22.9	-250 -200	*	*
23.0-23.9	-200 -175	*	*
24.0-24.9	-175 -175	-500	-500
25.0-25.9	-150 -150	-400	-400
26.0-26.9	-25 -100	-300	-300
27.0-28.9	0 0	0	0
29.0-29.9	0 0	0	0
30.0-30.9	25 25	75	75
31.0-32.9	50 25	125	125
33.0 & Above	50 25	250	250

* Strengths have no history of being produced.

Note: Official quotations for cotton of 3.5-3.6 & 4.3-4.9 Micronaire, strengths 23.5-25.4 g/tex, compressed in Mixed lots, FOB car/truck.

PIMA SPOT QUOTATIONS

Selected markets to February 21 compared with AMERICAN PIMA

GRADE	1-3/8" (44)	1-7/16" (46)
2	138.50 (138.50)	147.25 (147.25)
3	124.75 (124.75)	132.50 (132.50)
4	104.00 (104.00)	111.75 (111.75)

MICRONAIRE DISCOUNTS (cent points per lb):

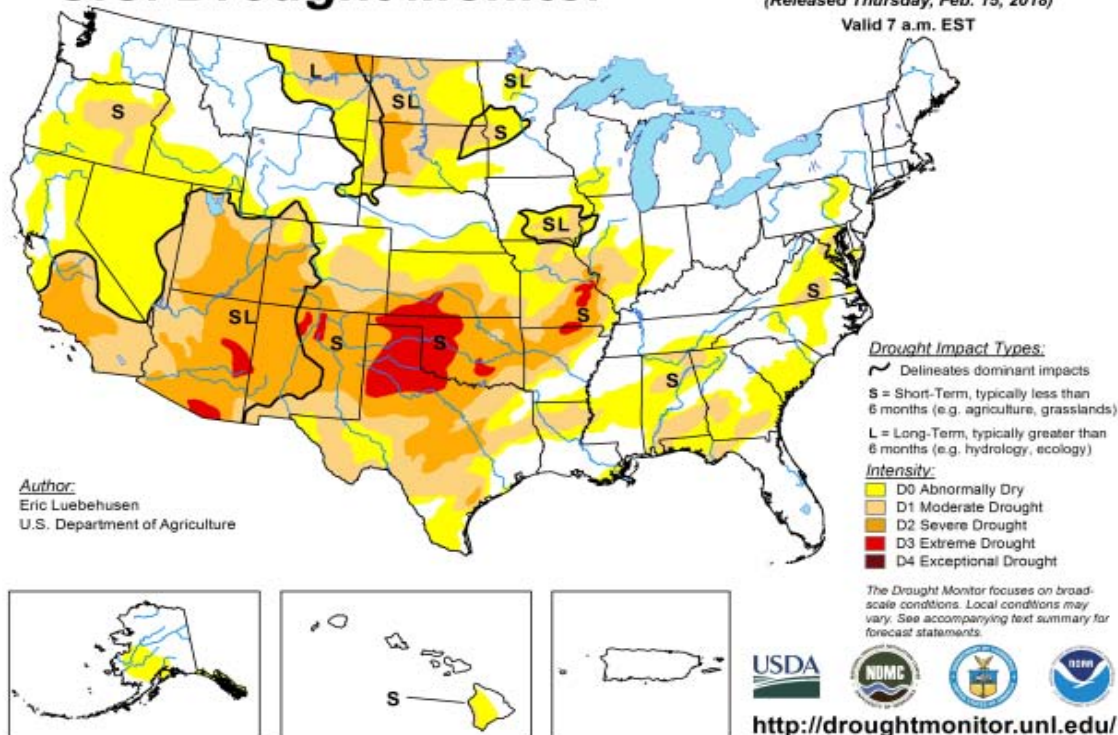
2.6 and below	-1900
2.7 to 2.9	-1400
3.0 to 3.2	-900
3.3 to 3.4	-400
3.5 and above	Base

Note: Official quotations reflect cotton equal to the Official Standards, net weight, in mixed lots, uncompressed, FOB Warehouse.

Many gins have closed for the season, leaving only a few of the larger plants still processing cotton. An additional 85,749 bales were inspected by the Lubbock office during the week ended

U.S. Drought Monitor

February 13, 2018
(Released Thursday, Feb. 15, 2018)
Valid 7 a.m. EST



February 15, and 24,601 were classed in Lamesa. Micronaire readings remain lower than desired. For the season, an estimated 69 percent of the 3,661,433 samples inspected at the Lubbock office were below 3.5, and approximately 23 percent of the 1,666,053 classed at Lamesa were rated as such.

Lately, thunderstorms have rumbled across central and northern parts of Texas. Over 3.00" of rain was recorded in Dallas over a 24-hour period. Unsettled conditions remain in the near-term forecast from south-central locales eastward. Light to moderate accumulations are projected, which will help restore water levels in ponds, lakes and streams. Flash flooding has occurred in some areas, and any additional precipitation is likely to exacerbate the situation in already saturated fields.

Severe weather developed in East Texas as the storms moved across the state, with locally heavy rains falling in the Upper Coastal Bend. Much-needed precipitation is expected from the Upper Coastal to the Coastal Bend in the coming days, which will help ease dry soils. Most fields in the Rio Grande Valley have been prepared for the new season, and producers are awaiting optimal soil conditions before planting. General rainfall would be welcome in the next week or two

to ensure adequate topsoil moisture for proper seed germination.

The weather has varied widely across the Memphis Territory. Record-equaling daytime highs in the upper 70's to low 80's (F) occurred in some locales, and thunderstorms quickly developed as a cool front encountered the spring-like conditions. Moderate to heavy rain was received as the low-pressure system slowly moved across the Delta. Soils are saturated, and water is flowing over the banks of many ditches, ponds, lakes and rivers. Intermittent storms remain in the near-term forecast, and any additional precipitation will cause floodwaters to rise.

Most of the Southeast has experienced warm, muggy conditions of late. Isolated thunderstorms have developed, producing light rain and limiting spring field preparations. Stormy weather is in the near-term forecast.

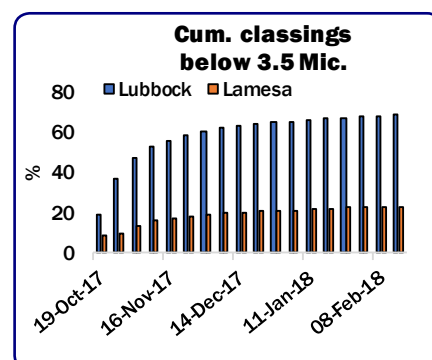
Mostly dry weather has ruled in the Far West. Clear, crisp conditions have been reported in California's San Joaquin Valley, where daytime highs ranged from the 50's to low 60's (F) and nighttime readings fell to freezing or below. Unseasonably cool temperatures remain in the near-term forecast, which will briefly chill soils. Pre-planting activities are advancing at a steady pace, and producers

are readying equipment for sowing, which is expected to commence in about a month. A general, slow-soaking rain would be welcome soon to help enhance soil moisture levels prior to planting. The lack of wintry precipitation in the Sierra Nevada Mountains has prompted concern about the coming season's irrigation allotments.

According to the California Department of Water Resources (CDWR), only 19.70" of precipitation was

received in the Sierra Nevada Mountains from October 1 to February 21; this is about 58 percent of the average for that period. Although light to moderate snow has fallen this week, the snow water equivalent remains below average for the time of year, at 4.50" as of February 20, or 20 percent of normal. A prolonged period of snowy weather will be needed in the next six weeks to boost the snowpack.

In Yuma County, Arizona, planting of the 2018/19 crop is slowly expanding, under fair conditions. However, a cool front moved across the state late in the period, and below-average readings in the 60's and 70's (F) remain in the near-term forecast. Field preparations for the upcoming season are advancing at a steady pace. Ginning of the 2017/18 crop is nearing an end.



US PRICE MECHANISM

US PRICE MECHANISM

- 2017/2018 season -

- value if applied today, February 22, 2018 -

Take 5-day average of:-

A) Five Far Eastern Midd.1-3/32" CFRs	86.74
B) Three Far Eastern 'fine count' CFRs	88.23
C) Three Far Eastern 'coarse count' CFRs	NQ
D) Cheapest US Midd. 1-3/32" CFR	86.70

ADJUSTED WORLD PRICE CALCULATION

Deduct from A

Average cost to market 14.50

Loan Quality Differential

(at average location) between:

Middling 1-3/32" 52.04

SLM 1-1/16" 49.49 2.55

E) Total Adjustment Factor	17.05
F) Adjusted World Price (A - E)	69.69
G) Fine Count' Adjustment Factor	must be above zero
2017 crop (current values 2.15-(B-A))	0.66
H) Coarse Count' Adjustment Factor	must be above zero
(current values A-C-5.40)	NQ
I) Loan Deficiency Payment, Basic Loan (49.49) - F	-20.20

AMERICAN PIMA COMPETITIVENESS PAYMENT

Basic Loan Trigger

P1) Cheapest competing foreign quote CFR Far East: (week to date average)	167.00
P2) P1 adjusted for quality and transportation ((P1+2.04)-16.88)	154.24
P3) Basic ELS Loan Rate (79.77) adjusted for quality 2-2-46	80.85
P4) Basic Loan Trigger = 134% of P3. P2 must be lower than P4 for four weeks for payments to be triggered	108.34

The Basic Loan Trigger criterion must be met for any payment to be calculated

Payment Calculation

P5) Friday/Thursday US Pima CFR Far Eastern Average	166.00
P6) Weekly average cheapest competing foreign quote CFR Far East (adjusted for quality) (P1+2.04)	169.04
P7) Theoretical value (P5-P6)	N/A
P8) No. of completed wks. P5 must exceed P6 for four consecutive weeks.	0
P9) Official current rate payable through Thursday February 22	N/A

Classings winding down

The USDA reported that 228,730 running bales of upland and 21,290 of Pima were inspected during the week ended February 15, raising the season-to-date total to 19,130,845 bales (of which 651,020 were Pima). The proportion of upland cotton deliverable against ICE futures fell to 68.6 percent for the marketing year.

The accompanying table provides a quality comparison between 2017/18-crop upland classed to February 15 and final 2016/17-crop inspections for the Southeast, Memphis Territory, Southwest and the Far West.

Upland Classings by State

15-Feb-18
running bales

	2017 YTD	2017 Prev Wk	2016 TOTALS
Alabama	763,227	758,874	676,041
Georgia	2,190,000	2,189,054	2,157,605
Nth. Carolina	761,937	760,606	353,864
Florida	119,017	119,017	146,926
Virginia	182,007	182,007	91,546
Sth. Carolina	403,015	402,175	218,392
Southeast	4,419,203	4,411,733	3,644,374
Arkansas	1,123,305	1,115,323	858,938
Mississippi	1,278,704	1,278,701	1,008,502
Missouri	682,976	682,976	565,630
Louisiana	407,696	407,696	266,098
Tennessee	718,537	718,537	566,354
Memphis Terr	4,211,218	4,203,233	3,265,522
Texas	8,548,873	8,388,579	7,962,114
Oklahoma	537,238	508,732	576,052
Kansas	105,549	97,503	72,156
Southwest	9,191,660	8,994,814	8,610,322
Arizona	392,105	373,163	354,855
California	222,412	217,265	249,309
New Mexico	43,227	43,110	32,998
Far West	657,744	633,538	637,162
Total	18,479,825	18,243,318	16,157,380

ARGENTINA

Scattered precipitation of up to 50 millimetres was received during the past week and subsequently gave way to clear skies. Seasonable conditions are forecast in the near term, with some unsettled weather predicted for the Chaco and Formosa provinces from February 25. Plants are progressing well, according to local observers, but some fields would benefit from further moisture. Planting estimates cover a fairly wide range, with private assessments placed between 300,000 and 400,000 hectares.

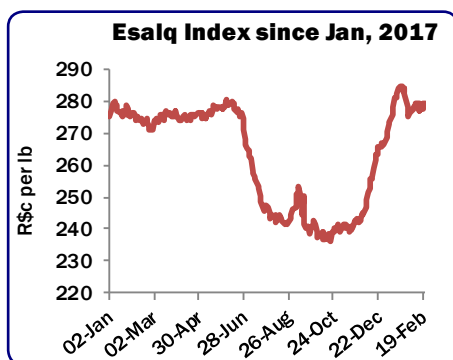
On the business front, activity has been quiet. No cotton has been registered for export in the last week, though some price-testing enquiry was in evidence.



BRAZIL

The outlook for the 2018 crop remains promising; planting is complete, and plants are developing without any major issues.

Business activity has been relatively quiet in the past two weeks, owing in part to holiday influences on the domestic and international markets. Farmers are said to be cautious sellers, and some are holding cotton in anticipation of price rises in the near term. Several thousand tonnes of lint were committed during the period under review, with over half the quantity registered from the 2017 and 2018 crops marked for domestic mills, while the entire volume of 2019 cotton committed was destined for export.



Prices on the local market have reversed direction from their decline late last month, as reflected in the *Esalq* Index of spot values. The Index has risen quite steadily during February and was placed at R\$279 per lb on February 21 (roughly 85.50 US cents per lb).



GREECE

Initial planting intentions for 2018/19 imply an increase in area of roughly 5 percent, according to local observers, owing to good water availability and lower costs in the current season. New crop sales are placed at up to 10,000 tonnes, at around 1,250 'on' December ICE futures for 41 colour grade.

Up to 185,000 tonnes of the current crop (of 270,000 tonnes) have been shipped for export, according to local observers, and a further 10,000 are committed but not yet shipped. Around 15,000 tonnes are marked for domestic consumption, which leaves an unsold balance of roughly 50,000/55,000 tonnes. Lower grades have found willing buyers this season, on price considerations, and the remaining stocks are predominantly SLM or better.

Raw cotton exports during December totalled 30,323 tonnes, including 15,478 for Turkey, which

accounts for over half of the monthly figure. The total committed to Turkey since the start of the current season stands at 66,575 tonnes; this represents an increase of almost 72 percent on the same period in the previous year, and is just 12,736 tonnes less than the volume imported in the whole of 2016/17. A similar situation can be seen in Egypt, where purchases of Greek cotton have also increased considerably; the volume committed by the date in question stood roughly 6,100 tonnes behind the amount for last season as a whole.

Cumulative exports since the beginning of the 2017/18 season were placed at 142,053 tonnes, modestly higher than the 130,091 committed by the same point in 2016/17.

