



Cotton Outlook

LONG STAPLE

UPDATE

FEBRUARY 2021

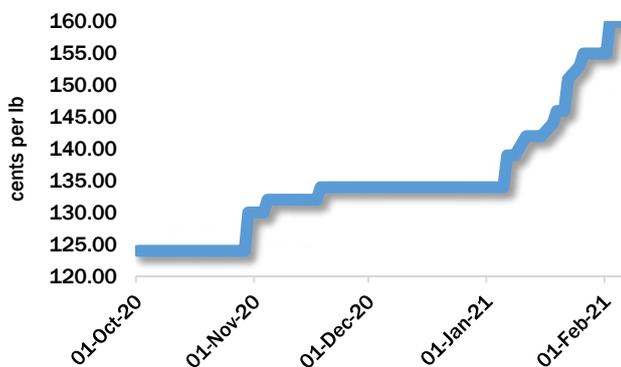
Welcome to Cotlook's February long staple update

In this edition we review the developments in the long staple market since the beginning of the 2020/21 season. The period has seen an encouraging recovery of both prices and consumption for all cotton, including long staples. However, whether the improved profitability will be sufficient to reverse the long-term pattern of decline in global output next season and allow long staples to regain ground from upland varieties is open to question.

Prices

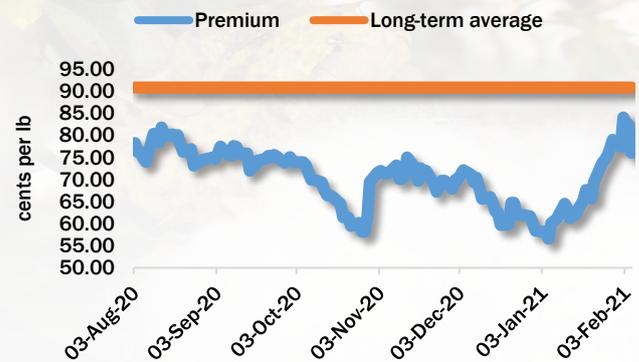
For the first three months of the 2020/21 season, Cotlook's benchmark **Pima** price (Grade 2. 1-7/16") remained depressed. However, increasing demand as downstream markets began to recover from the worst of the fall-out from Covid-19 gave rise to an incremental increase of Pima prices throughout the autumn. By early February, Cotlook's quotation had advanced from 124 to 160 cents per lb, CFR Far East. Price rises in the world market for upland cotton over the same period have also been significant, though, with the result that Pima's premium (i.e., the percentage by which our Pima quotation exceeds the A Index), at around 80 percent, remains below the long-term average of just under 91 percent).

Pima prices 2020/21

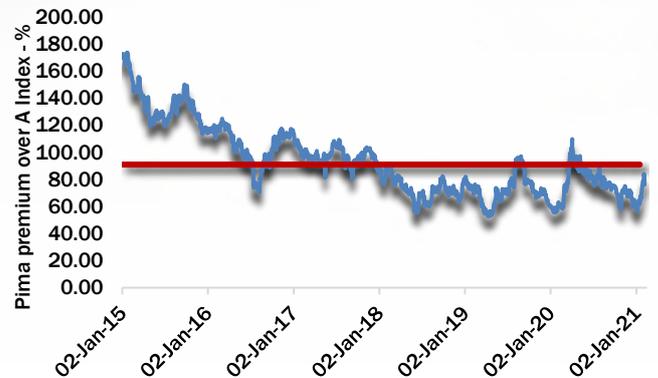


Likewise, increased demand, as well as a significantly smaller crop than last season, have seen prices for Egyptian cotton rise steadily since the start of the fourth quarter of 2020. By early February 2021, Giza 94 from the current crop was changing hands for 124 cents per lb, FOB, compared with around a dollar at the beginning of August. Giza 86 was available at around 127 cents per lb.

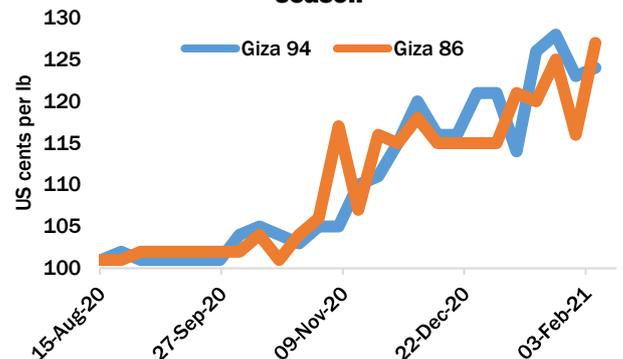
Pima premium - 2020/21 season



Cotlook long staple premium - five years



Egyptian FOB export prices - 2020/21 season



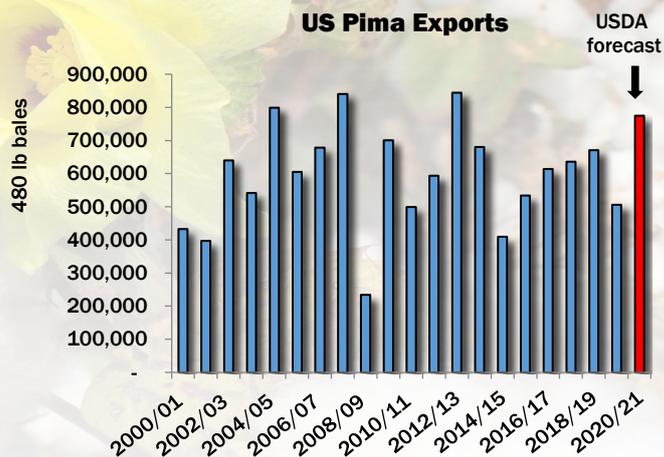
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The trajectory for **Chinese T137 cotton** offering rates since the start of the season is not entirely dissimilar, rising sharply during October to a peak of 21,800 yuan per tonne. However, Chinese long staple cotton has subsequently been unable to sustain the autumn's gains in their entirety, and in early February was quoted at 21,500 yuan per tonne.



On the back of the strong performance in the season thus far, USDA increased its forecast for Pima exports by 125,000 bales overall in its WASDE reports for December to February, so it now stands at 775,000 bales (480 lbs). If realised, that would represent the greatest volume since the 2012/13 season.

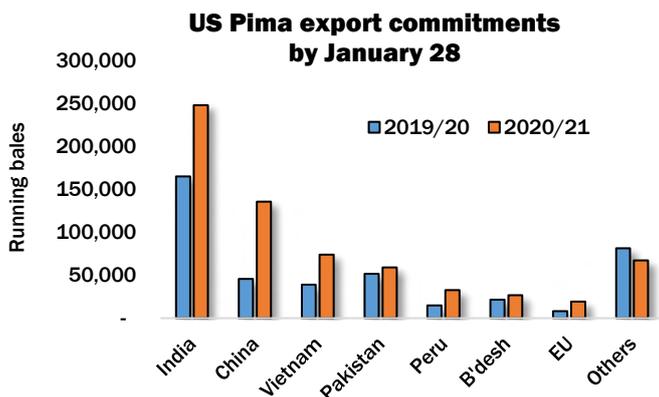


The period in view has also seen the projection of ending stocks for 2020/21 fall from 270,000 bales to 147,000, almost entirely attributable to the increase in exports. (Expectations of output have also fallen modestly since August). Thus, the carryover is now forecast to be less than half of that recorded at the end of the previous season.

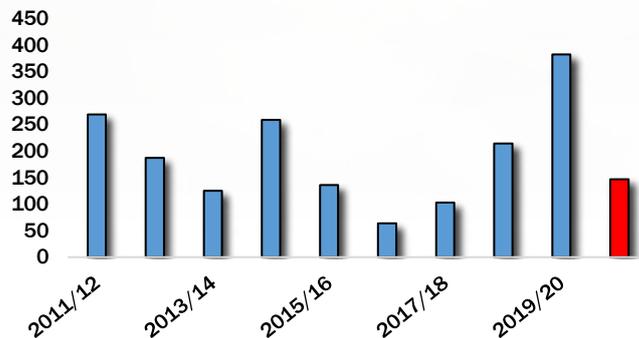
Trade

US Pima

By January 28, the total figure for export sales of US Pima since the start of the season was 664,500 running bales (of which 393,900 had been dispatched), according to USDA data. This marks a 55-percent improvement on the same point last season, by which time 429,400 running bales of Pima had been registered for export. All major importing countries are showing an increase this season. India remains the foremost destination, with 37 percent of registrations, but China shows the greatest rise in commitments with almost three times as much Pima registered against the account of Chinese importers than in early 2020, before the impetus of the Phase One trade agreement was felt.



Pima ending stocks (thous 480-lb bales)

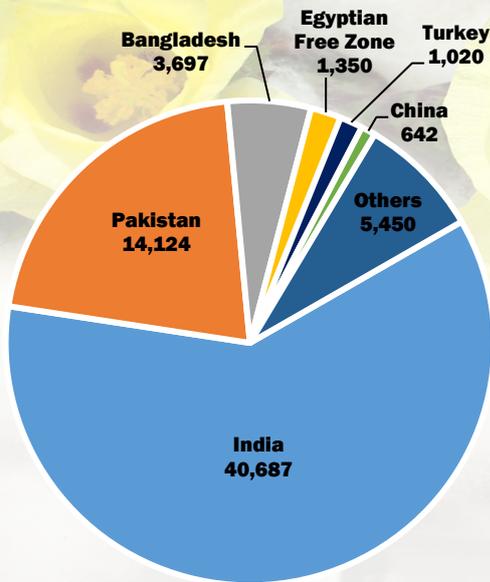


Egypt

Egypt, too, has so far outstripped last season's export performance, despite a much smaller crop. Both registrations and shipments were significantly ahead of the previous year by early February, with gains of 29 percent and 96 percent respectively. Giza 94 accounted for 70 percent of sales recorded for export, and Giza 86 for a further 11.5 percent. ELS varieties represented just three percent of the total.

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Egyptian export sales registrations by February 6, 2021

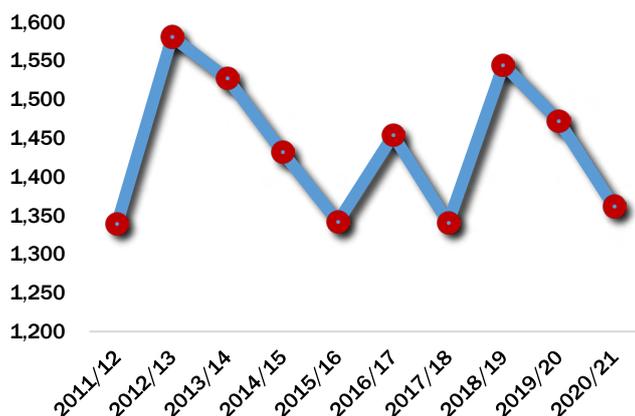


India has increased its share of export registrations to 61 percent (up from 47 percent by early February last year). Pakistan is the second most important customer, with 21 percent of the total. Together, Bangladesh, Turkey and China make up a further eight percent of sales registered so far this season.

Production outlook

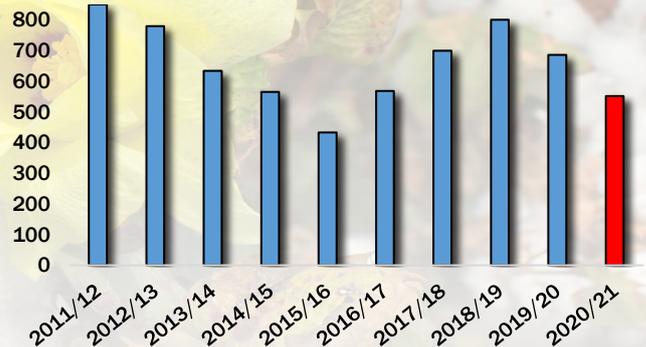
Drought-like conditions in the Far West region where Pima is cultivated have been held responsible for disappointing yields for long staple cotton in 2020/21, estimates of which have been revised progressively downwards since August. In USDA's January supply and demand report, the figure for harvested area was increased slightly to 195,000 acres (down from 224,000 in 2019/20), but yields were reduced to 1,362 pounds per acre, in line with the lowest yields of the past decade.

Pima yields (lbs/acre)



The result is a decrease in the projected size of the crop to 552,000 bales, which would mark the smallest output in all but one of the past ten years.

Pima production (thous 480 lb bales)



As we have reported previously, long staple production in **China** appears to be in long-term decline. Planting in the 2020/21 season was 30 percent lower than in 2019/20. In December, it was reported that harvesting in the main long staple producing area of Aksu was almost complete. Long staple yields were estimated at around 94 kgs per mu, up by 7.4 kgs year on year. The latest data suggest a crop in the region of 55,000 tonnes, down eight percent from the previous season..

Harvesting and classing of 2020/21 **Egyptian** cotton were almost complete in mid-January. The latest estimate of LS/ELS output is 60,400 tonnes, which is somewhat higher than some previous expectations, but nevertheless 11 percent less than the total produced in the previous season. Long staple cotton is expected to represent 95 percent of the total, with extra-long staples making up the balance.

According to the **Israeli** Cotton Board, the harvest in that country was completed under good conditions in mid-November, and ginning was finished in December. Recent reports suggest a favourable outcome this season in terms of both, yield and quality, and final output is expected to meet or just surpass earlier forecasts, at around 8,000 tonnes.

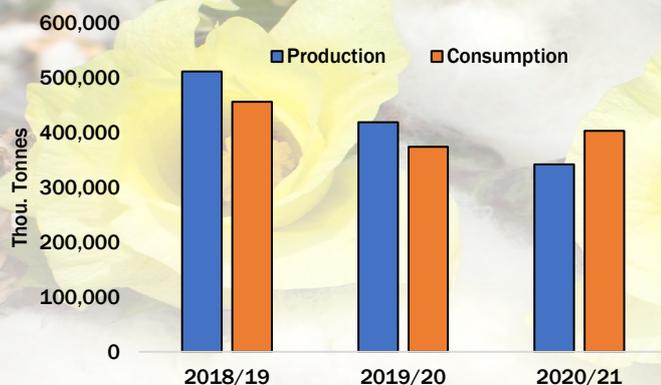
As usual, detailed information from **India** is in short supply. For now, our estimate of long staple output from the current crop is retained at 90,000 tonnes.

World production and consumption

The 2020/21 season will see a third consecutive season of quite substantial decline in global long staple production, for the various reasons already discussed. On the demand side, fine count spinners, like those spinning

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Long staple production and consumption



medium and lower counts, have enjoyed a marked upturn in their fortunes over recent months. The associated recovery of consumption is consistent with the raw cotton export data released regularly by the United States and Egypt. As a result, by the end of the marketing year, a sharp fall in global stocks will have occurred. Our latest figures place the correction at over 90,000 tonnes.

Even at this remove, the outlook for the 2021/22 season appears rather bullish, especially as the prospects for a recovery in production seem uncertain at best. Barring a transformation in the water supply, allocations for irrigation in the United States Far West may well oblige farmers to cut back their Pima plantings this spring. From Egypt, few indications are yet discernible with regard farmers' intentions. In China's Xinjiang region, farmers' preference for upland varieties over long staples may become more marked in the light of the excellent yields obtained this season from the former and the persistence of obstacles preventing the extension of machine picking to the long staple sector.

As in the upland market, any prediction of consumption patterns is at present fraught with difficulty. A continued revival of demand will depend on economic and pandemic-related factors that are more than usually uncertain. The current outlook for long staple demand, however, unquestionably appears much brighter than could have been imagined only a few months ago.

World LS Output (tonnes)

	2018/19	2019/20	2020/21
United States	174,000	149,000	120,000
Egypt	109,559	67,600	50,000
India	100,000	90,000	90,000
China	80,000	60,000	55,000
Turkmenistan	15,000	21,000	10,000
Uzbekistan	3,000	5,000	1,000
Tajikistan	1,000	1,000	-
Israel	9,000	7,800	7,950
Sudan	1,000	1,000	1,000
Peru	5,000	5,000	4,000
Spain	5,500	4,000	3,500
Total	503,059	411,400	342,450

World LS Consumption (tonnes)

	2018/19	2019/20	2020/21
India	195,000	160,000	185,000
China	140,000	110,000	125,000
Pakistan	37,000	32,000	37,000
Egypt (ELS, G86, G94)	22,500	13,000	16,000
United States	5,000	3,500	4,000
Bangladesh	12,000	10,000	11,000
Latin America	13,000	15,000	16,000
Europe (Inc. Turkey)	15,000	12,000	13,000
South East Asia	21,000	16,000	25,000
Others	3,500	3,000	3,200
Total	464,000	374,500	435,200

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