

Cotton Outlook

Long Staple

UPDATE
December 2017

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Production

This year's December *Long Staple Update* is intended to shed light on crop developments since the publication of our more comprehensive *Annual Long Staple Special Feature*, which appeared in September. Since then, production forecasts have tended lower in three of the main producing countries, namely the United States, China and Egypt. Hence, whereas in September the outlook was for global output to exceed the level reached in 2016/17, the data now show a season-on-season decline of some 17 percent, to slightly over 420,000 tonnes. Furthermore, whereas global stocks were previously forecast to rise by a substantial margin, with production expected to exceed consumption (the rate foreseen in September was around 449,000 tonnes) for a second successive season, the data now indicate a contraction.

In the **United States**, USDA has maintained its estimate at 727,000 bales (of 480 lbs), and will not make a review until next month. Private observers contend that the typical yields obtained point to a lower figure, placed variously at between 635,000 and 650,000 bales. Yields, it is suggested, have been adversely affected by insect pressure and, at key moments of the season, by the impact of cool conditions on boll counts in the San Joaquin Valley. The revised figure of slightly more than 139,000 tonnes shown in the accompanying world estimate table is modestly below the midpoint of the suggested range and almost 30,000 less than we projected in September.

Reaction to last season's oversupply of long staples in **China's** southern Xinjiang region, together with this season's increased costs, shortages of labour and depressed yields, have resulted in progressively deeper cuts in forecasts of this season's output; informed observers now suggest production will be in the order of 70,000 tonnes, compared with the 120,000 tonnes postulated in our September report. This amount is much less than half of the quantity produced in the 2016/17 season.

The weight of production in **Egypt** this season concerns Giza 94, a prospect that is unchanged from previous assessments. Our estimate for output of that variety has

| World LS Output (tonnes) | | | | |
|--------------------------|----------------|----------------|----------------|-------------------|
| | 2015/16 | 2016/17 | 2017/18 | 2017/18 v 2016/17 |
| United States | 94,275 | 123,885 | 139,344 | 12% |
| Egypt | 46,164 | 29,955 | 56,329 | 88% |
| of which: | | | | |
| ELS | 1,617 | 2,062 | 3,775 | 83% |
| Giza 86 | 43,909 | 19,700 | 15,874 | -19% |
| Giza 94 | 638 | 8,193 | 36,680 | 348% |
| Sudan | 450 | 2,500 | 6,000 | 140% |
| Uzbekistan | 1,000 | 3,000 | 5,500 | 83% |
| Tajikistan | 500 | 750 | 1,500 | 100% |
| Turkmenistan | 23,264 | 26,074 | 24,000 | -8% |
| India | 94,350 | 101,660 | 96,900 | -5% |
| Peru | 3,000 | 2,000 | 5,000 | 150% |
| China | 122,000 | 200,000 | 70,000 | -65% |
| Israel | 17,300 | 13,700 | 12,000 | -12% |
| Spain | 4,850 | 4,400 | 4,000 | -9% |
| Total | 407,152 | 507,924 | 420,573 | -17% |

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Cotton

Outlook

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been tempered only slightly since our last review. However, a relatively large reduction has been made for Giza 86, on clarification that the area sown to this variety was cut by an even greater margin than anticipated previously. Output of the extra-long staple styles has also been revised downward, on similar grounds, but remains above last season. Egypt's total output of long and extra-long staple styles now appears likely to be in the region of 56,000 tonnes, rather than the figure of 69,125 suggested a couple of months ago; this would still mark a considerable recovery from last season.

In **Central Asia** Turkmenistan remains the major producer of long staple styles, though Uzbekistan has taken steps in the past couple of years to try to revive production, initially importing cottonseed for the purpose from its neighbour and then embarking on seed multiplication. Meanwhile, Chinese investment in Tajikistan is thought to have resulted in an increase in output. Total long staple output in Central Asia might thus reach around 31,000 tonnes, marginally more than last season and the highest level for a decade.

Marketing

By late November in the **United States**, export shipments, outstanding sales and estimated domestic commitments probably accounted for around two

thirds of the current season's supply of Pima (carry-in plus production), which is a slightly higher proportion than by the same point in 2016 and significantly more than in either of the two preceding years. Export sales were equivalent to almost three quarters of the USDA's forecast of this season's total.

The 2017/18 season began with a sizeable discount in evidence for Pima new crop, owing mainly to predictions of a much-increased supply (as noted above, now substantially tempered) and a consequent recovery in end-season stocks. The strong progress of export sales has more recently pushed prices upward quite strongly, a movement that might be expected to continue if the more pessimistic private views of output are eventually confirmed by USDA.

Egypt has also registered heavy sales commitments. By early December, more than 34,000 tonnes had been committed, the largest volume recorded at that juncture since 2010 and equivalent to perhaps 54 percent of the current season's supply (carry-in plus output) of long and extra-long staple styles. India was by the far the main buyer, accounting for close to 60 percent of total commitments. The increased uptake by Indian spinners is attributable to a number of factors, including those surrounding branding issues and this season's widened price differential between US Pima and Egyptian supplies.

