

# Cotton Outlook

## Long Staple

### UPDATE

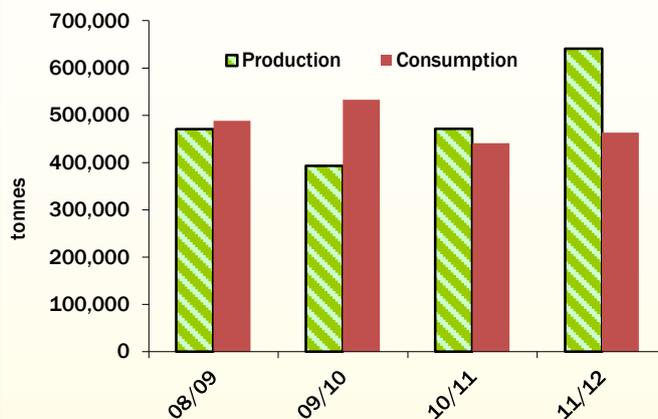
March 2012

CLICK HERE  
To Join our  
mailing  
list

In our latest quarterly review, we reassess the supply and demand balance for the current season, consider the recent development of world prices and suggest initial prospects for world production in the 2012/13 season.

#### 2011/12 supply and demand

In our Quarter 4, 2011 review, we concluded that the surplus of world long staple production over consumption during the 2011/12 season had widened to around 130,000 tonnes. We now believe that to have been an underestimate. World production appears to have slightly exceeded our previous estimate, at around 640,000 tonnes, whereas consumption, which had been projected at above 500,000, now appears to have fallen well short of that figure, doubtless a reflection

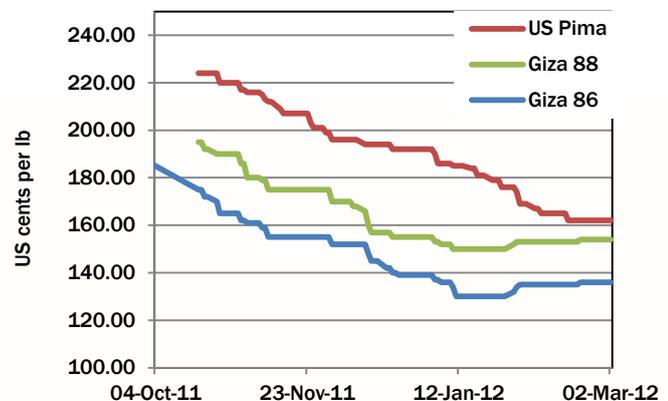


of the malaise that has affected world cotton consumption in general, but with luxury consumer products perhaps harder hit than most. The apparent gap between production and consumption is now perceived to be over 175,000 tonnes.

Reductions in consumption, compared with our December forecasts, have particularly affected the three largest consuming markets, China, India and Pakistan, which was perhaps to be expected, given their dependence on western markets as outlets for higher-end consumer goods.

#### Prices and trade

As for prices generally, the peak level in recent times was reached in the early spring of 2011, when Cotlook's quotations for US Pima and Egyptian Giza 88 were withdrawn. The

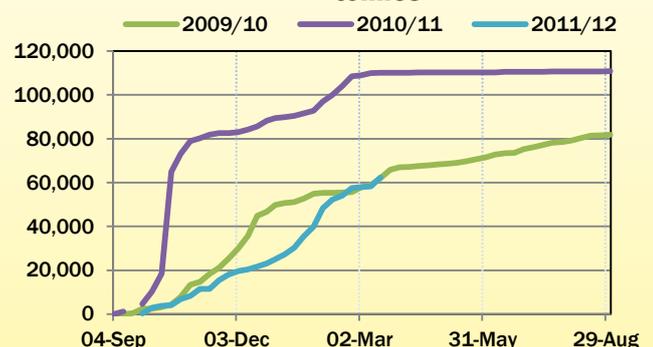


2011/12 season commenced with Pima prices still well over 220.00 cents per lb, and Giza 88 close to the two dollars per lb mark but Egyptian offers were led downward by the Giza 86 long staple variety, which gave up 27 cents in value during the fourth quarter and which has since lost a further 26 cents, to rule currently around the 136.00 US cents per lb mark.

The decline in Egyptian prices prompted a recovery in sales momentum, given little competition from US Pima. Egyptian sales registrations have more than doubled since the turn of the year, to bring them roughly into line with the season before last, at

#### Egyptian export sales

tonnes



cotlook  
internet  
package

information  
is power

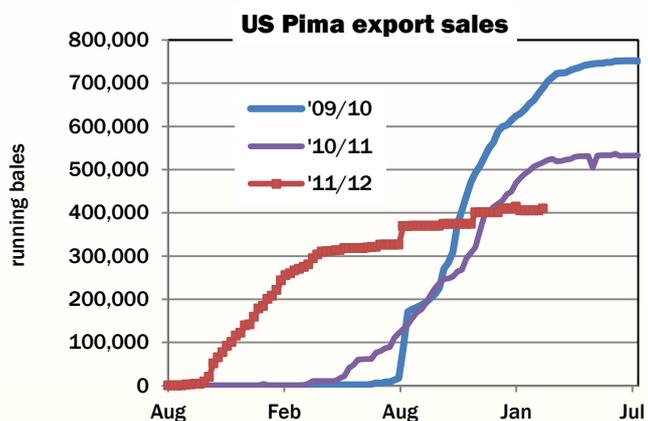
Published by :  
Cotlook Limited,  
Outlook House,  
458 New Chester Road,  
Rock Ferry, Birkenhead,  
Merseyside,  
CH42 2AE,  
U.K.  
Tel : 44 (151) 644 6400  
Fax : 44 (151) 644 8550  
E-Mail : editor@cotlook.com  
www.cotlook.com

No article may be reproduced  
without the prior permission  
of the Editor.

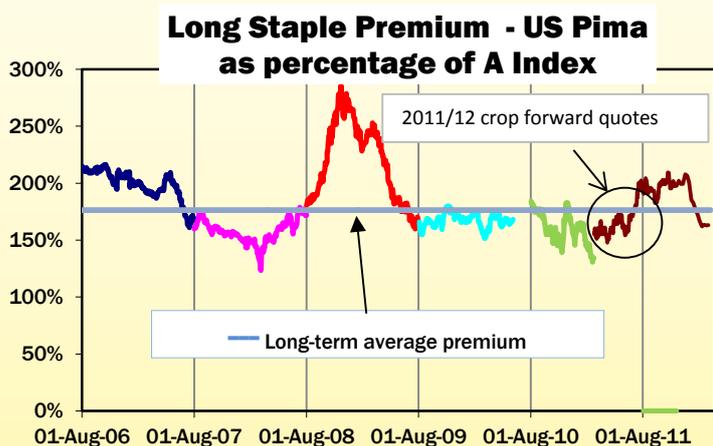


over 62,000 tonnes by early March. China had accounted for more than a quarter of all purchases registered.

US Pima sales commitments for shipment during the current season that were entered into the season before (during 2010/11) were substantial (on the back of that season's high prices), so a rather cautious view regarding additional new sales commitments prevailed throughout much of 2011. On the completion of class-



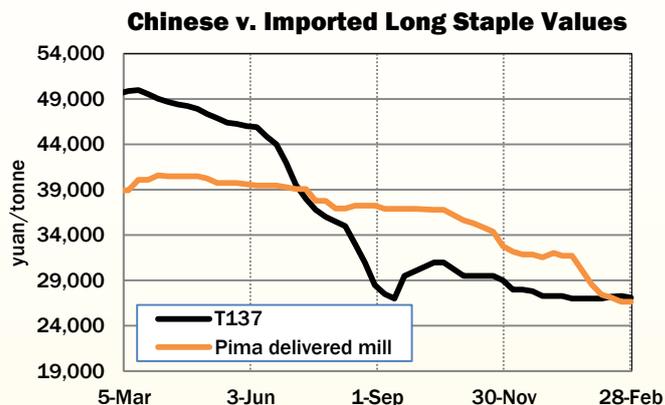
ing and grading of the 2011/12 crop, however, US Pima selling pressure began to re-emerge. Having stayed above 190 cents prior to the year-end, values have dropped into the low 160 cents per lb range. Perhaps more significantly, this level of prices is below the long-term average of Pima values as a percentage of the upland cotton price (as measured by the Cotlook A Index). Pima has thus become more competitive against other comparable growths and against upland cotton.



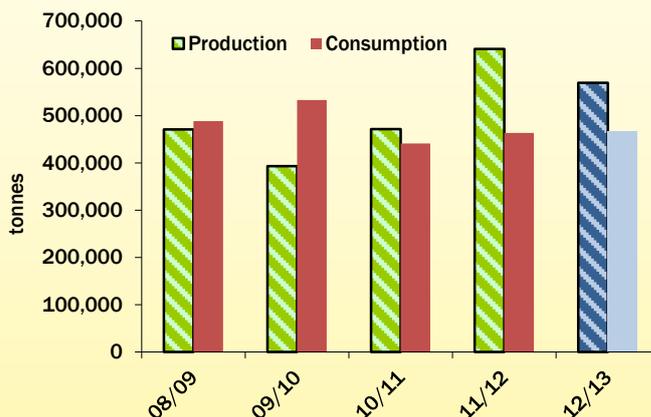
China has been the most prominent buyer of US Pima, accounting for 262,419 running bales (outstanding commitment plus actual shipments) by March 8, or 47 percent of the running total at that date.

Domestic prices for China's Type 137 started a gradual descent from around late October last year, and the pace appeared to gather momentum through to mid-January. Since then, however, some stability has returned. Current prices are significantly lower than a year ago but are now dearer than US Pima, on delivered mill terms, even on application of the sliding-scale import tariff.

### Outlook for 2012/13



The new planting season is still approaching and it is still a little early to make authoritative assessments of the area likely to be sown to long staples in some countries. For instance, in Central Asia, full details have yet to be made clear of the variety allocations in those countries





in which cotton production is still centrally planned, while in India, matters relating to the size of the current crop are dominating attention.

Rather more certainty can be attached to prospects in the United States, following recent indications by the National Cotton Council and the United States Department of Agriculture. Taking these data and information from our own sources into account, we foresee that US farmers will reduce Pima sowings by around five percent, and conclude that US lint production may drop by over 55,000 bales (of 480 lbs), to slightly below 790,000.

As for Egypt, farmers are expected to divert land to food crops on a significant scale, given the high rate of inflation in domestic food prices. A decline in cotton area is anticipated of over one third, thus effectively reversing the recovery in cotton plantings witnessed last season. On this basis, the country's lint output might fall to around 131,000 tonnes, a similar level to that recorded the season before last.

Anecdotal evidence is that participants in China's long staple market have encountered challenging trading conditions and that losses have been sustained. A decline in plantings at least of the magnitude affecting upland crops is considered foreseeable.

World LS Output (tonnes)									2012/13 v 2011/12
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
<b>United States</b>	137,275	167,000	185,458	93,839	84,913	109,755	184,130	171,741	-7%
<b>Egypt</b>	204,300	214,733	226,450	118,700	94,850	130,950	186,100	131,250	-29%
<b>of which:</b>									
<b>ELS</b>	42,881	52,907	40,740	23,339	12,901	27,921	38,490	20,000	-48%
<b>LS</b>	155,930	157,865	181,349	94,573	85,075	103,029	147,610	111,250	-25%
<b>Sudan</b>	36,038	29,684	14,229	8,593	2,055	4,482	27,000	30,000	11%
<b>Uzbekistan</b>	10,000	12,000	10,500	5,000	2,200	2,000	2,000	2,000	Unch
<b>Tajikistan</b>	8,000	10,000	7,500	3,000	2,000	180	850	850	Unch
<b>Turkmenistan</b>	12,000	25,000	25,000	20,000	25,000	22,000	20,000	20,000	Unch
<b>India</b>	51,850	68,850	78,000	76,500	77,000	62,500	72,000	80,000 *	11%
<b>Peru</b>	19,280	16,960	22,660	14,090	6,200	5,000	8,000	8,000	Unch
<b>China</b>	80,000	170,000	185,400	120,000	90,000	125,000	120,000	108,000	-10%
<b>Israel</b>	11,500	18,500	19,000	9,000	6,900	7,000	15,500	12,600 **	-19%
<b>Spain</b>		450	1,350	1,800	1,800	2,250	4,000	4,000	Unch
<b>Australia</b>	300	300	300	300	300	500	990	600	-39%
<b>TOTAL</b>	<b>570,543</b>	<b>733,477</b>	<b>775,847</b>	<b>470,822</b>	<b>393,218</b>	<b>471,617</b>	<b>640,570</b>	<b>569,041</b>	<b>-11%</b>

\*includes cotton with staple of over 33mm \*\*includes Pima and Acala

World LS Consumption (tonnes)								12/13 v 11/12	
	06/07	07/08	08/09	09/10	10/11	11/12	12/13		
<b>Americas</b>									
<b>United States</b>	8,491	7,838	6,532	6,532	6,000	5,500	5,500	Unch	
<b>Mexico</b>	435	500	300	300	300	400	400	Unch	
<b>Peru</b>	10,000	13,000	9,000	9,000	11,000	13,000	13,000	Unch	
<b>Europe</b>									
<b>Italy</b>	10,000	4,000	2,500	2,000	3,000	2,500	2,300	-8%	
<b>Switzerland</b>	8,000	7,000	3,000	2,000	4,000	3,300	3,300	Unch	
<b>Germany</b>	5,000	4,500	3,000	2,500	5,500	4,100	3,800	-7%	
<b>Turkey</b>	10,000	8,000	5,000	4,000	3,000	3,500	3,500	Unch	
<b>Portugal</b>	4,000	6,000	4,000	800	600	400	400	Unch	
<b>Asia</b>									
<b>China</b>	190,000	170,000	205,000	200,000	165,000	140,000	150,000	7%	
<b>India</b>	148,000	161,500	125,000	145,000	130,000	135,000	140,000	4%	
<b>Pakistan</b>	55,000	85,000	30,000	45,000	35,000	45,000	50,000	11%	
<b>Indonesia</b>	14,000	14,000	10,000	6,000	5,000	5,000	5,500	10%	
<b>Japan</b>	13,000	12,000	8,000	4,000	9,000	8,000	9,000	13%	
<b>South Korea</b>	11,000	11,900	4,980	1,500	6,800	6,200	6,600	6%	
<b>Bangladesh</b>	10,000	18,000	10,000	12,000	10,000	7,000	9,000	29%	
<b>Thailand</b>	10,000	18,000	9,000	7,000	5,000	5,000	9,000	80%	
<b>Taiwan</b>	7,000	7,000	2,500	2,177	2,500	2,200	4,350	98%	
<b>Turkmenistan</b>	4,000	4,000	2,500	2,000	2,000	3,000	3,000	Unch	
<b>Africa</b>									
<b>Egypt</b>		79,572	126,758	43,119	77,469	33,616	70,000	45,000	-36%
<b>Others</b>		4,500	4,000	3,500	3,500	4,000	4,500	4,500	Unch
<b>Total</b>	<b>608,448</b>	<b>687,996</b>	<b>488,181</b>	<b>532,778</b>	<b>441,316</b>	<b>463,600</b>	<b>468,150</b>	<b>1%</b>	



Overall, world production appears set to contract by about 11 percent, to slightly below 570,000 tonnes.

Consumption prospects are more difficult still to predict at this juncture, given the global economic uncertainties. Our presumption is some general recovery will occur in

Asian markets, leading to an overall increase in world use of about one percent. Egypt, with lower output and a tough economic climate, may see consumption of domestic long staple varieties decline, though this will depend to a large extent on the government's policy toward imports of upland descriptions.

## **Advertising opportunity**

Cotlook's Annual Long Staple Review, which is made available on a complimentary basis to our subscribers and which will review prospects in individual countries in greater depth, will be published in the middle of the year.

The review is made available on-line and as a glossy print publication, and circulated both in English and Mandarin to Cotlook and Beijing Cotton Outlook's subscribers, including a targeted audience of world long staple market participants.

For details please email Richard at [advertising@cotlook.com](mailto:advertising@cotlook.com).



**Outlook Consulting Limited**

A subsidiary of The Outlook Group  
Limited

Registered with The International Cotton  
Association Limited

## **Arbitration, consultancy and legal expertise**

- **Dispute resolution**
- **Consultancy on contractual issues**
- **Advice on the by-laws and rules of the International Cotton Association**
- **Guidance on award enforcement**
- **Legal news - key commodity alerts**

[arbitration@cotlook.com](mailto:arbitration@cotlook.com)

[www.outlook-consulting.com](http://www.outlook-consulting.com)