

WEEK IN BRIEF

Upland **offering rates** have advanced quite sharply in the two-week reporting period, influenced by a sustained rally in New York. The lead March contract advanced by over two cents and registered its highest settlement since May on the last day of 2019. Speculators' futures positions shifted to 'net long' in mid-December, and since then the margin has widened further. Open interest has been on the rise... Prices on China's ZCE futures platform have also moved considerably higher, owing in part to speculative buying. Turnover was exceptionally heavy... Sentiment in both New York and Zhengzhou has been influenced by the Phase One trade deal, ratification of which may be imminent.

In the United States, the **harvest** is effectively complete in most major producing areas. Attention is turning to planting intentions for next season's crop. Welcome precipitation has improved soil moisture levels in the Delta and Southeast... The cumulative volume of seed cotton classed in Egypt remains markedly behind the same point last year... Seed cotton arrivals in India have continued to be heavy. Perhaps one third of deliveries is being absorbed by the Cotton Corporation of India... Remnant seed cotton arrivals have been trickling into gin yards in Pakistan. The end-of-year arrivals figures are awaited... Ginning in China is virtually on a par with the same juncture in 2018/19. Ginners outside Xinjiang have been invited to apply for inclusion in a new inspection programme... Seasonable weather has prevailed in Argentina's cotton growing region. Welcome rain should facilitate early crop development.

Mill demand has been fairly subdued, as market participants absorb the recent rise in prices. Indian lint has attracted attention, predominantly on price considerations. Sporadic demand for that origin has emanated from Chinese mills seeking to take advantage of unused import quota. Mills in Bangladesh have also enquired for African Franc Zone cotton. Spinners in Pakistan have bought retail volumes of US 'recaps'. Pockets of demand have emanated from Far Eastern markets, mainly for Brazilian... Spinners in Turkey have largely remained on the sidelines, having covered their more pressing import requirements. Over half of the country's raw cotton imports in November were of Greek cotton. Mexico has emerged as a recent source of supply... Cumulative raw cotton export shipments from Côte d'Ivoire in the year to November were over 200,000 tonnes... China's raw cotton imports in November were predominantly from Brazil. The cumulative total remains considerably behind last season.

The cotton **yarn** market has been steady in Pakistan. Export demand from China has improved somewhat but buyers' price ideas are considered too low... Cotton yarn prices have tended former in Bangladesh... China's cotton yarn imports in November represented the highest monthly total since May... Export demand has been slow in Egypt. Downstream textile manufacturers have complained of pressure on prices... The *Heimtextil* home textiles fair opens next week in Germany.

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INTERNATIONAL COTTON PRICES

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Prices advance further

The holiday period has seen upland offering prices maintain the upward trajectory of recent weeks and months. In New York, the March contract has settled closer to 70.00 cents – a level last recorded in early May – while contracts further forward have already crossed that threshold. The spot month has recorded an aggregate gain of 231 cent points in the eight sessions completed since our last issue was published before the Christmas holiday. The bullish tone has not been confined to New York. Indeed, Zhengzhou futures have risen more strongly over the same period, the May contract having gained 725 yuan per tonne (470 cent points per lb).

In both Zhengzhou and New York, the positive price trend has of course been attributed principally to recent progress in Sino-US trade relations. A comprehensive accommodation between Beijing and Washington may still be a fairly distant prospect. However, the prevailing mood of détente and the prominence given to agricultural purchases by China within the Phase One agreement apparently soon to be signed has been sufficient to maintain the upward momentum.

The reaction of speculators in New York to recent developments has no doubt contributed to that impetus. In mid-December their position shifted to 'net long' of cotton futures, bringing to an end a six-month period during which a rather unfamiliar net short position of varying magnitude had become the norm. The latest data show a widening of the net long position to 9.5 percent of the open interest in futures on December 24.

While the easing of trade tensions is of course welcome from a broad economic perspective, and a source of encouragement to China's downstream textile sector, the rationale for the rise in Zhengzhou is perhaps less compelling in terms of cotton supply and demand fundamentals. An eventual influx of US cotton would add to an already abundant local supply, comprising a sizeable carryover from 2018/19 and the impending weight of output from the 2019/20 crop, ginning of which is well advanced. Sentiment in the local market has nonetheless turned sufficiently bullish to convince sellers that better prices can be obtained than those on offer this week from the State Reserve. Firm local prices have also no doubt assisted the emergence of import enquiry for Indian cotton, probably the only major export origin in a position to meet the late February arrival deadline required by mills seeking to utilise what remains of their 2019 Tariff-rated Quota allocations.

2019 in retrospect

The turn of the year provides an opportunity to look back on developments over the past twelve months and to hazard some predictions as to what 2020 might hold for the international cotton market. Our chart on page 6 allows a retrospective glance at the behaviour of world prices (as measured by the Cotlook A Index) during the 2019 calendar year. The Index reached its high point in mid-April, when hopes were rising of a breakthrough in the Sino-US trade dispute – the issue that provided the catalyst for most of the major pricing developments of last year. For the next five months or so, as pessimism on the trade front deepened, the market followed a downward path, the Index reaching the year's low point (69.20) in early September.

At that juncture, bearish sentiment was accentuated by the perception that, while global raw cotton consumption remained in the doldrums, abundant crops appeared in prospect in the

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Northern Hemisphere, not least in the United States. The substantial addition to world stocks then in prospect sent a clear bearish signal. However, following successive setbacks to various of those crops over subsequent months, the global balance sheet today appears far less daunting, as does the US carryover in prospect. As indicated above, the partial Sino-US agreement has also contributed to a shift of sentiment toward the bull side. By the turn of the year, the Index had recovered to 78.35 cents per lb – just 55 cent points above its average for the preceding twelve months.

Production outlook for 2020/21

Attention has begun already to turn to the prospects for cotton plantings in the Northern Hemisphere, for which the recent recovery of world prices may of course be of some significance. The spring sowing period remains some way off, and our first comprehensive forecasts will not be published until the end of February. However, it is already possible to advance some tentative assumptions – and to identify some key areas of

uncertainty – for the major Northern Hemisphere producing countries, four of which account for about two thirds of global production.

There would seem little reason to suppose that farmers in India will reduce their cotton plantings. The 2019/20 crop has produced good returns and the security afforded by the Minimum Support Price regime provides a strong incentive to persevere with cotton. Assuming that Monsoon rains are adequate, cotton plantings well in excess of twelve million hectares (by far the largest area devoted to cotton in a single producing country) would once again seem in prospect.

An assessment of the outlook for Pakistan is a more difficult proposition. There is recognition in both private circles and at a senior government level that the sector has fundamental problems to address. The poor profitability of cotton in 2019/20 may induce some growers to reduce their plantings. However, weather played a part in the failure of the 2019/20 crop and kinder conditions might allow some recovery of yields.

The recent pattern of production in China has been characterised by

a fairly stable area in Xinjiang and a steady decline of cotton plantings in the cotton-producing provinces of the east. To what extent increased support for cotton outside Xinjiang, if rumours of such a policy are well founded, could redress the structural decline of cotton in the east remains to be seen.

US farmers will doubtless be more attuned to the forward price outlook for cotton and competing commodities, as revealed by New York and Chicago futures prices. At the end of the last trading session of 2019, December 2020 futures closed at 70.36 cents per lb. A year earlier, the corresponding settlement (for the December 2019 contract) was 73.30 cents per lb. In comparison, on December 31, November soybeans showed a year-on-year increase of four percent and September corn a rise of 1.9 percent. An additional factor affecting planting intentions may be the willingness of banks to extend finance for cotton to farmers (those in West Texas, for example) who have struggled financially owing to the poor yields obtained from the 2018/19 crop.



CFR FAR EASTERN QUOTATIONS FOR PRINCIPAL GROWTHS

Quotations as at January 2, 2020

Description	Price	Change since Dec 19	Shipment	Price	Forward	
					Change since Dec 19	Shipment
American-Type cottons:						
Higher grades						
Australian SM 1-5/32"	NQ			NQ		
Benin Kaba/s 1-1/8"	80.75	2.00	1/2	NQ		
Burkina Faso BOLA/s 1-1/8"	80.25	2.00	1/2	NQ		
Cameroon IRMA/s 1-1/8"	80.75	2.00	1/2	NQ		
Cameroon PLEBE 1-5/32"	82.25	2.00	1/2	NQ		
Chad Kero A51 1-5/32"	82.25	2.00	1/2	NQ		
Indian Shankar-6, 1-1/8"	75.00	1.75	1/2	NQ		
Ivory Coast MANBO/s 1-1/8"	80.25	2.00	1/2	NQ		
Mali JULI/s 1-1/8"	81.25	2.00	1/2	NQ		
Spanish SM 1-1/8"	81.50	2.75	1/2	NQ		
Tanzanian RG1 1-1/8"	NQ			NQ		
Texas SM 1-1/8"	80.25	2.00	1/2	NQ		
Uzbekistan SM 1-1/8"	NQ			NQ		
Zambian SM 1-1/8"	NQ			NQ		
Zimbabwe SM 1-1/8"	NQ			NQ		
Medium grades						
1-1/8" staple unless stated						
Australian Midd	NQ			NQ		
Benin BELA *	79.75	2.00	1/2	NQ		
Brazilian Midd	78.50	2.00	1/2	79.50	1.50	10/11
Burkina Faso RUDY *	79.25	2.00	1/2	NQ		
California/Arizona Midd	NQ			NQ		
Greek Midd	81.25	2.75	1/2	NQ		
Indian medium grades **	74.00	1.75	1/2	NQ		
Iv. Coast BEMA *	79.25	2.00	1/2	NQ		
Mali ROKY/KATI *	80.25	2.00	1/2	NQ		
Memphis/Eastern Midd	79.00	2.00	1/2	NQ		
Memphis/Orleans/Texas Midd	78.50	2.00	1/2	NQ		
Mexican Midd	NQ			NQ		
Tanzanian Type 1SG 1-3/32"	NQ			NQ		
Uzbekistan Midd	NQ			NQ		
Lower grades						
Argentine SLM, 1-1/16"	NQ			NQ		
Brazilian SLM 1-3/32"	76.50	2.00	1/2	NQ		
Greek SLM 1-3/32"	79.25	2.75	1/2	NQ		
Indian J-34 SG **	NQ			NQ		
Memphis/Eastern SLM 1-3/32"	77.00	2.00	1/2	NQ		
Memphis/Orleans/Texas SLM 1-3/32"	76.50	2.00	1/2	NQ		
Memphis/Orleans/Texas LM 1-1/8"	NQ			NQ		
Pakistan AFZAL 1-1/16"	NQ			NQ		
Pakistan Type 1467 1-3/32"	NQ			NQ		
Long Staple cottons:						
US Pima Grade 2 1-7/16" #	125.00	Unch	1/2	NQ		
Egyptian Giza 86 Good+3/8	112.00	Unch	1/2	NQ		
Egyptian Giza 94 Good+3/8	111.00	Unch	1/2	NQ		
Israeli Pima H1, 1-7/16" #	159.00	Unch	1/2	NQ		
Israeli Acalpi	141.00	Unch	1/2	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 2018/19 Index expired on July 31, 2019.

Prices as at January 02, 2020

2019/2020 Cotlook A Index 77.85		
Description	Price	Shpt
Indian medium grade	74.00	1/2
Brazilian	78.50	1/2
Memphis/Oreans/Texas	78.50	1/2
Memphis/Eastern	79.00	1/2
Ivory Coast BEMA	79.25	1/2

The Cotlook A Index

Seasonal Averages

2013/14	90.57
2014/15	70.78
2015/16	70.39
2016/17	82.77
2017/18	87.99
2018/19	72.05
2019/20	73.34

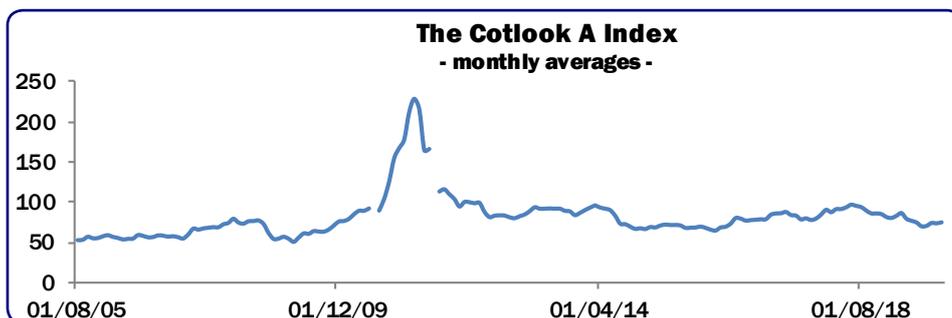
Monthly Averages

May 2019	80.14
June 2019	77.65
July 2019	75.54
August 2019	70.78
September 2019	71.31
October 2019	73.88
November 2019	74.86
December 2019	75.74

Daily Values

2019/20	
December 27	77.65
December 30	77.85
December 31	78.35
January 01	Holiday
January 02	77.85

Average for week 77.93



YARN INDEX

2005 = 100

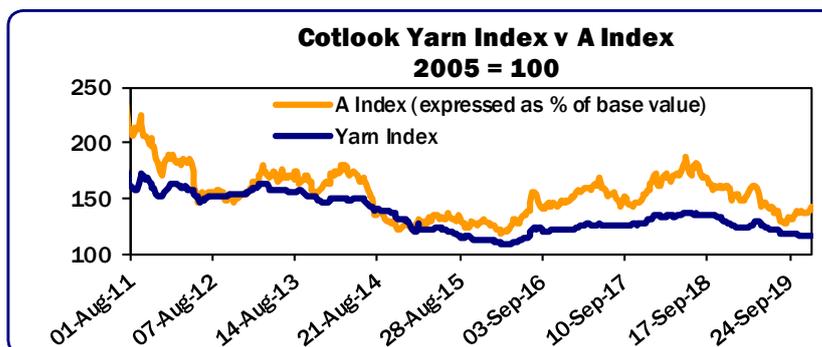
This week	117.11	Last month	117.11
Last week	117.08	Last year	125.48

Export prices (in US dollars per kilo FOB)

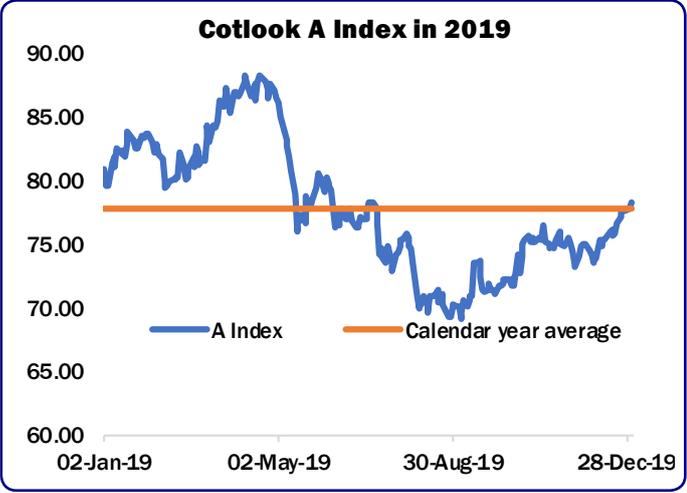
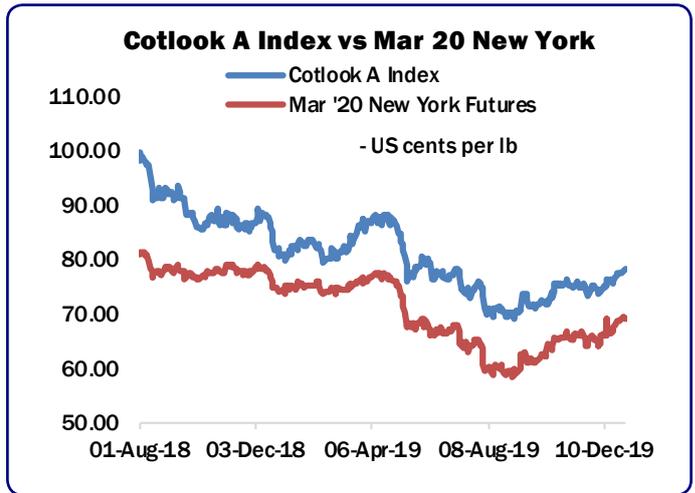
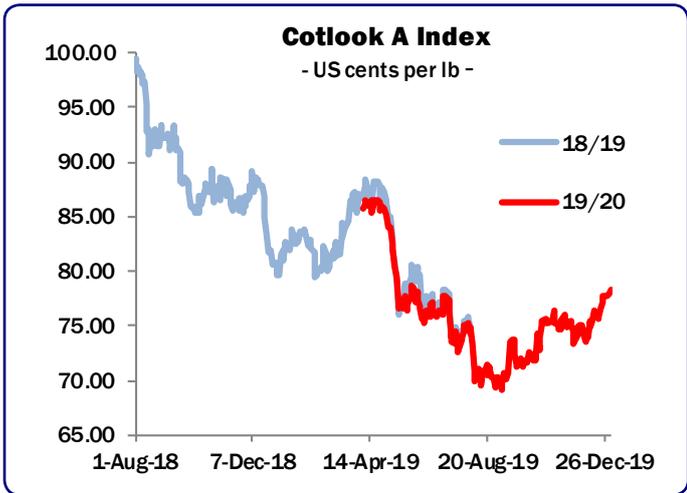
		This week	Change on week	Change on year
Pakistan	20s	2.23	Unch	0.08
India	20s	2.35	Unch	-0.20
Turkey	20s	2.75	Unch	-0.15
Indonesia	20s	2.56	Unch	Unch
China	21s	2.88	0.01	-0.26
Uzbekistan	20s	2.05	Unch	-0.40
Pakistan	30s	2.62	Unch	0.08
India	30s	2.50	Unch	-0.35
Turkey	30s	3.00	Unch	-0.15
Indonesia	30s	2.85	Unch	Unch
China	32s	2.94	0.01	-0.40
Uzbekistan	30s	2.10	Unch	-0.50

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.

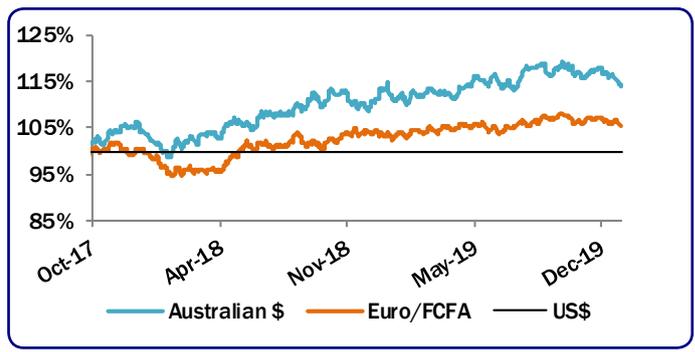
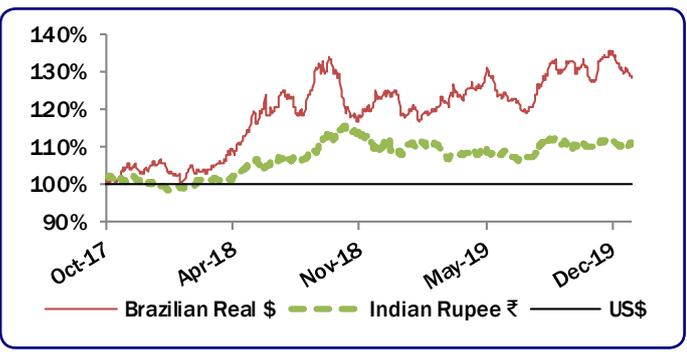


WORLD PRICE TRENDS

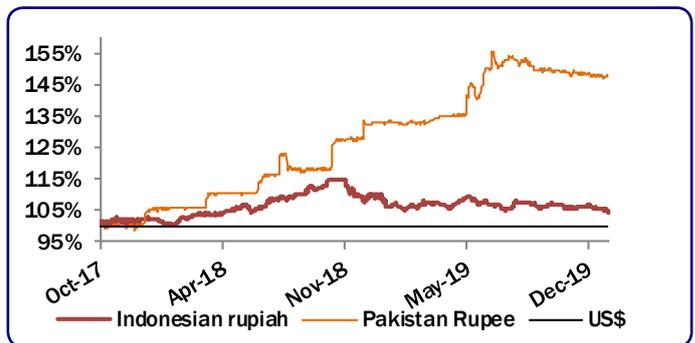
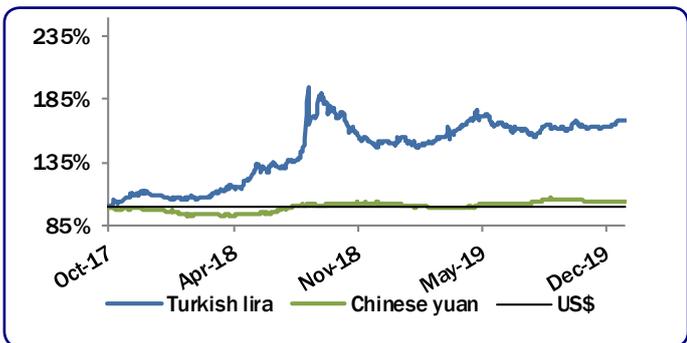


CURRENCY TRENDS

EXPORTERS' CURRENCIES VS. US\$ (AUG 1, 2017 = 100%)



IMPORTERS' CURRENCIES VS. US\$ (AUG 1, 2017 = 100%)



COTLOOK PRODUCTION ESTIMATE

	(thousands of tonnes)	
	18/19	19/20
Argentina	250	280
Australia	480	160
Azerbaijan	85	98
Benin	305	310
Brazil	2,726	2,727
Burkina Faso	200	225
Cameroon	128	140
Chad	8	50
China	5,775	5,727
Colombia	10	10
Côte d'Ivoire	204	190
Egypt	110	73
Greece	290	350
India	5,729	6,290
Iran	60	60
Israel	9	9
Kazakhstan	75	78
Kyrgyzstan	23	25
Malawi	8	8
Mali	274	295
Mexico	377	380
Mozambique	23	25
Nigeria	50	50
Pakistan	1,685	1,375
Paraguay	5	5
Peru	20	20
Spain	70	65
Sudan	110	120
Syria	30	30
Tajikistan	96	110
Tanzania	90	120
Togo	52	50
Turkey	800	750
Turkmenistan	198	200
Uganda	35	35
USA	3,999	4,399
Uzbekistan	713	760
Zambia	40	50
Zimbabwe	55	60
World Total	25,484	26,004
World excl China	19,709	20,277
N Hemisphere	21,701	22,462
S Hemisphere	3,784	3,542
African Fr. Zne	1,177	1,272
Central Asia	1,105	1,173
EU	360	415

WORLD STOCK

The accompanying table shows our production and consumption estimates and the resultant adjustments in world stock levels during 2017/18 and 2018/19, together with our prediction for 2019/20. Where available, comparable data produced by the United States Department of Agriculture and by the International Cotton Advisory Committee are also shown. Cotlook does not attempt to estimate actual stock levels.

World Cotton Balance Sheet									
Unit = 1,000 tonnes									
	World (excl. China)			China			World		
	17/18	18/19	19/20	17/18	18/19	19/20	17/18	18/19	19/20
Cotlook									
Production	20,859	19,709	20,277	5,720	5,775	5,727	26,579	25,484	26,004
China net trade	-1,223	-2,053	-1,675	+1,223	+2,053	+1,675			
New Supply	19,636	17,657	18,602	6,943	7,828	7,402	26,579	25,484	26,004
Consumption	17,207	17,051	17,355	8,800	8,260	8,260	26,007	25,311	25,615
Net change in stock	+2,429	+606	+1,247	-1,857	-432	-858	+572	+173	+389
USDA									
Opening stock	7,483	9,329	9,584	9,998	8,272	7,766	17,481	17,601	17,350
Production	20,964	19,671	20,435	5,987	6,042	5,933	26,951	25,713	26,368
China net trade	-1,216	-2,053	+2,053	+1,216	+2,053	+1,922			
New Supply	19,748	17,618	22,488	7,203	8,095	7,855	26,951	25,713	26,368
Consumption	17,801	17,590	17,804	8,927	8,600	8,382	26,728	26,190	26,186
Other adjustments	-101	+227	-4,018	-2	-1	-1	-103	+226	-44
Ending Stock	9,329	9,584	10,250	8,272	7,766	7,238	17,601	17,350	17,488
Net change in stock	+1,846	+255	+666	-1,726	-506	-528	+120	-251	+138
ICAC									
Opening stock	8,130	9,670	9,370	10,350	9,030	8,880	18,480	18,700	18,250
Production	20,790	19,650	20,210	5,890	6,040	5,800	26,680	25,690	26,010
China net trade	-1,290	-2,070	-1,630	+1,290	+2,070	+1,630			
New Supply	19,500	17,580	18,580	7,180	8,110	7,430	26,680	25,690	26,010
Consumption	+17,840	+17,830	+18,150	8,500	8,250	8,050	26,340	26,080	26,200
Other adjustments	-120	-50	+40	+0	-10	-30	-120	-60	+10
Ending Stock	9,670	9,370	9,840	9,030	8,880	8,230	18,700	18,250	18,070
Net change in stock	+1,540	-300	+470	-1,320	-150	-650	+220	-450	-180



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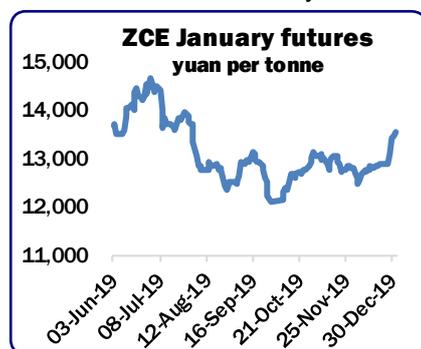

CHINA

Trade agreement

Despite President Trump's indication that the Phase One deal will be signed on January 15, so far Beijing has not disclosed any details with regard to the signing. The timing of 'Phase Two' negotiations is also uncertain. A trade expert close to the Ministry of Commerce has noted that talks on Phase Two will centre on more difficult topics such as industrial subsidies and high-tech policies, which were the known sticking points during previous rounds of talks.

Market prices

Despite these uncertainties, prices on the ZCE futures platform have risen sharply during the past two weeks, following the perception of progress in Sino-US trade relations, and an associated spate of speculative buying. The January contract rose to its highest level since August 1. Turnover has been heavy.

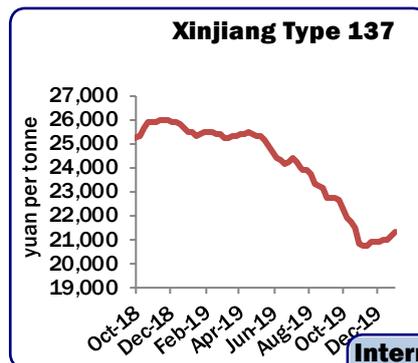
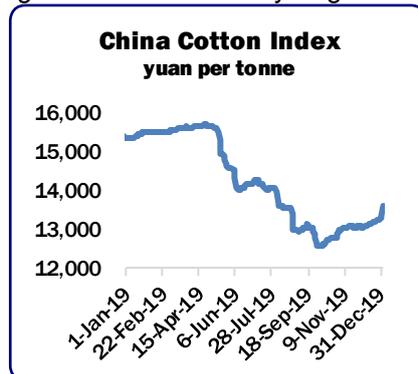


Zhengzhou Cotton Futures					
	Settlement yuan per tonne			Volume number of contracts	Open Interest
	19-Dec	02-Jan	Chng		
Jan	12,850	13,555	+705	102,398	15,114
Mar	13,130	13,900	+770	115,796	8,843
May	13,370	14,070	+700	3,162,169	292,406
Jul	13,470	14,265	+795	1,649	1,678
Sep	13,790	14,480	+690	204,588	27,586
Nov	14,120	14,920	+800	570	1,259
				3,587,170	346,884

The China [Securities Regulatory Commission](#) has announced that from January 1, 2020, data posted by all domestic futures markets have abandoned the 'double counting' convention for volume and open interest (whereby both sales and purchases were counted in the total), to bring statistical reporting in line with

international standards and facilitate analysis and comparison. In the interest of consistency, the volume figures in the accompanying table have been adjusted retrospectively in accordance with the new method.

The **China Cotton Index**, which measures spot prices in the physical market (basis Type 3128B) has reflected the gains in the futures market to advance by 423 yuan per tonne since December 19, to 13,601 yuan. That represents the Index's highest level since early August.



During the past week, Xinjiang **long staple** lint has increased by 200/300 yuan per tonne for all styles. The benchmark value for Type 137 is quoted at 21,300 yuan per tonne, equivalent to 137.8 US cents per lb.

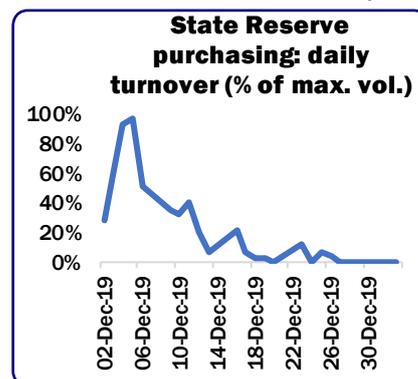
Prices in the **physical market** have also increased, but transactions have become of a more sporadic nature, owing to a cautious approach to purchases by spinners. Type 3128 Xinjiang new crop lint is priced at 14,000 yuan per tonne, and 13,200/13,500

yuan for cotton produced in eastern provinces, both up 200 yuan from earlier this week. The asking price for cotton yarn has also increased by 500/1,000 yuan per tonne.

The rising trend of domestic prices has coincided with an upturn in import demand, as mills with outstanding 2019 Tariff-rated Quota have sought to make use of their allocations. That being the case, enquiry has focused on a range of Indian qualities, available for arrival by late February. Since the Lunar New Year holiday will be celebrated in late January, some spinners will stop their operations around a week earlier than in other years. Mills will also seek to arrange for customs clearance of imports under the 2019 TRQ to take place as early as possible.

State Reserve purchasing

Conversely, no cotton has been purchased so far this week by the



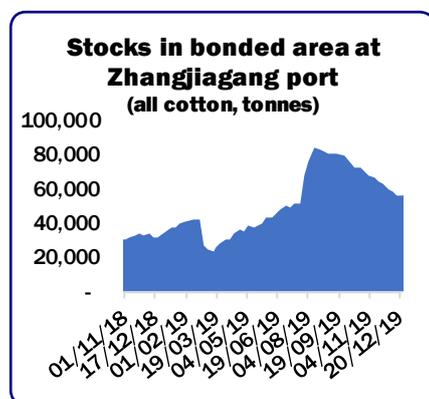
International Prices

Data as at 2 January, 2020	Yuan per tonne equiv. + insurance	Approximate delivered mill value	
		Inc. one percent tariff + VAT	Including sliding scale duty + VAT
Cotlook A Index	12,269	13,487	14,631
Texas SM	12,641	13,896	14,886
Burkina Faso BOLA/s	12,641	13,896	14,886
India Shankar-6	11,827	13,000	14,331
Benin KABA/s	12,718	13,981	14,937
Cameroon IRMA/s	12,718	13,981	14,937
Cameroon	12,951	14,237	15,113
PLEBE 1-5/32"	12,641	13,896	14,886
Ivory Coast MANBO/s	12,796	14,067	15,000
Mali JULI/s	19,578	21,534	21,649
US Pima Grade 2			
China domestic prices	yuan/tonne	chg since Dec 19	cents/lb
CC Index	13,601	423	88.17
ZCE Jan	13,555	705	87.87
Xinjiang Type 137	21,300	200	138.08
Xinjiang Type 237	20,700	200	134.19
	yuan/tonne		cents/kilo
polyester	6,900	-170	98.62
viscose	9,500	-300	135.77
	Yuan/Kilo		cents/lb
32s carded yarn	20,600	Unch	295.92
40s combed yarn	22,280	-10	320.05
Monthly yuan/dollar customs exchange rate			6.9969
Actual Rate (Jan 2)			6.9614

State Reserve. Since the maximum price that the Reserve will pay is a lagging indicator (calculated on the basis of the previous week's price indices), sellers are unwilling to part with their stocks while prices are rising.

Port stocks

Traders at domestic ports have continued to witness a more active demand for their stocks, especially Indian old crop Shankar-6 1-5/32" and 1-1/8", on price and availability considerations. Stocks at Qingdao port have fallen by 40,000/50,000 tonnes in recent weeks, to be placed at around 250,000 tonnes on December 24. However, with more cotton still to be shipped, traders expect the volume at ports to rise once again during the first quarter of next year.



Data from the local cotton chamber of commerce show that stocks held at Zhangjiagang port were estimated at 58,616 tonnes on December 31, up 2,532 from the previous week. The total mainly consisted of US (22,001, up 300), Uzbek (13,759, up 1,000), Indian (8,513, up 800), Australian (6,375, unchanged) and Brazilian (5,890, unchanged).

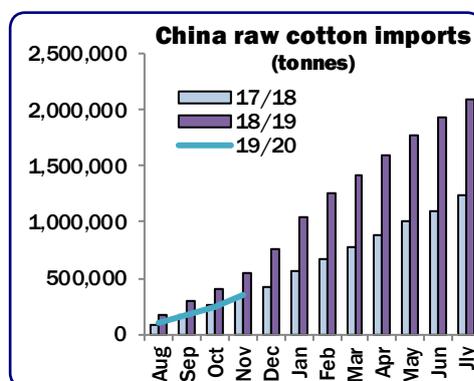
Raw cotton and cotton yarn imports

Raw cotton imports during November were 105,121 tonnes, according to customs data, up from 73,007 in the previous month. Brazil

was the single largest supplier, contributing 58,137 tonnes (over 55 percent) to the total. Other major suppliers included Australia (20,446 tonnes) and the United States (13,646 tonnes).

Cumulative imports during the first four months of the 2019/20

Raw cotton imports (tonnes)		
August/November		
	2018/19	2019/20
World	537,694	353,268
Australia	251,286	121,737
Brazil	67,744	100,891
United States	69,359	54,906
Cameroon	13,298	11,497
Sudan	9,855	8,437
Burkina Faso	13,302	7,781
Mexico	282	7,642
Benin	9,564	5,732
Tajikistan	2,801	4,445
Cote d'Ivoire	8,439	4,208
Mali	8,650	4,137
Argentina	734	3,874
Uzbekistan	884	3,519
Togo	5,720	2,489
India	59,761	2,171
S Africa	1,111	1,769
Myanmar	0	1,731
Israel	996	1,671
Greece	2,806	1,629
Kazakhstan	3,752	636
Turkey	22	599
Others	7,329	1,767



Cotton yarn imports (tonnes)		
August/November		
	2018/19	2019/20
Vietnam	239,348	300,740
Uzbekistan	44,017	63,209
India	156,510	60,019
Indonesia	35,434	39,842
Taiwan	28,484	32,460
Malaysia	22,037	23,971
Pakistan	90,702	15,760
Bangladesh	1,838	5,621
Korea South	3,675	2,822
Thailand	2,597	2,795
Kazakhstan	973	1,962
Others	8,731	5,742
Total excl re-imports	634,346	554,943
China	16,167	11,336
Grand total	650,513	566,279

Source of Data: China Customs

international season were 353,268 tonnes, down around 36 percent, year-on-year.

Cotton yarn imports (Code 5205, 85% cotton by weight, other than sewing thread) were placed at 148,720 tonnes during November, excluding re-imports of Chinese yarn, representing the highest monthly total since May. The major supplier was again Vietnam, which contributed 74,657 tonnes, or 50 percent, to the total. Other significant suppliers included Uzbekistan (19,524 tonnes), India (20,591) and Indonesia (10,580).

Total imports during the August-November period were 554,943 tonnes, down 12.5 percent, year-on-year.

Ginning progress

The pace of ginning in Xinjiang has slowed somewhat of late as it enters its final stages, and the volume ginned so far this year is now virtually on a par with the same point in 2018/19. By yesterday, according to the China National Cotton Exchange (CNCE), 4,730,100 tonnes of lint had been ginned in the region. Of the total, 4,464,600 had been inspected.

Around 51 percent of the total was from the north, and the remainder from the south. The quality of crops produced in the north was higher.

Ginners in southern Xinjiang's Aksu, Bachu and Yuli Counties have become reluctant sellers of lint, particularly high quality supplies, in view of the deterioration of seed cotton quality in the later stages of the harvest. Handpicked Type 2128/2129 lint is priced at 13,400/13,700 yuan per tonne, with Type 3128/3129 styles available at a discount of 400/500 yuan.

Sporadic seed cotton buying is reported in Kashgar, Aksu and Bayingol Prefectures, at around 5.4/5.7 yuan per kilo for handpicked Type 3128 styles (giving a ginning



outturn of 35/36 percent), and 0.2/0.3 yuan lower for machine picked cotton.

The first tranche of 2019/20 target price subsidy has been allocated in the First Division of the PCC (located in Alear City in southern Xinjiang). Local growers have begun the process of repaying their loans and purchasing seed for sowing next year. Returns from cotton cultivation have remained attractive to growers in Xinjiang compared with those obtainable from other crops, partly owing to the subsidy scheme. The timely execution of subsidy payments is intended by the authorities to stabilize planted area in the year to come.

Warehousing inspection and reform in mainland

CNCE released a file on December 31 stating that ginners in nine eligible provinces of 'mainland' China could apply from January 3 to become eligible to join a warehouse inspection programme. The implementation of professional warehouse supervision and inspection is credited with the potential to revitalize the mainland market, according to local observers. The reforms should not only make cotton trading faster and easier, but also provide greater transparency in terms of supply and quality.

Although no announcement was made regarding the potential for an increased subsidy payment in mainland provinces, as has been rumoured, it is suggested that the inspection data could eventually be used to calculate allocation of subsidy, if and when implemented.

CCA December supply and demand

In its monthly report, the China Cotton Association (CCA) has left national production unchanged for the 2019/20 season, at 5,905,700 tonnes (down 3.4 percent, year-on-year). Beginning stocks remained at 8,075,100 tonnes, imports at 1,980,000, consumption at 8,020,000 and exports at 30,000 tonnes. Hence, ending stocks by the end of the current season were unaltered at 7,910,800 tonnes. CCA indicates that average seed cotton prices nationwide during November were 5.5 yuan per kilo, down 15.9 percent, year-on-year. The downstream market has recovered slightly.

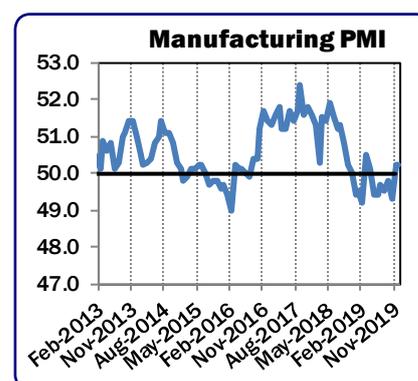
CCA December Balance Sheet

ten thousand tonnes

Type	2017/18	2018/19	2019/20
Beginning	924.1	802.6	807.5
Production	604.7	611.0	590.6
Imports	132.4	205.0	198.0
Consumption	855.0	807.0	802.0
Exports	3.6	4.1	3.0
Ending stocks	802.6	807.5	791.0

Manufacturing PMI steady in December

The purchasing managers' index (PMI) for the manufacturing sector stood at 50.2 in December, unchanged from November, according to the National Bureau of Statistics (NBS). This marks the second straight month of expansion (indicated by a figure



above 50). The non-manufacturing PMI was placed at 53.5, down 0.9 percentage points from a month ago.

RRR cut to boost economy

The People's Bank of China has announced that the reserve requirement ratio (RRR) for financial institutions would be cut by 50 basis points from January 6, to support the development of the real economy. The move will release about 800 billion yuan (US\$114.6 billion) of long-term liquidity. Share values in Hong Kong and Shanghai rose strongly on January 2 in response to the news.

Import tax reductions

As was previously reported, from January 1, 2020, China has implemented provisional import tax rates which are lower than the Most-Favoured-Nation tariff rates for over 850 commodities. The aim is to expand and optimise the structure of imports, and stimulate import potential, according to a circular issued by the Customs Tariff Commission of the State Council. Cotton and textiles products are not affected.

PAKISTAN

CCAC reviews crop size

On Friday December 27, the Cotton Crop Assessment Committee (CCAC) met in Islamabad to review the crop, and has placed this season's cotton output at 9.451 million bales of 170 kilos (or 10.36 million bales of 155 kilos), compared with the production target set at twelve million bales. The CCAC's figure is well above the top end of most private estimates.

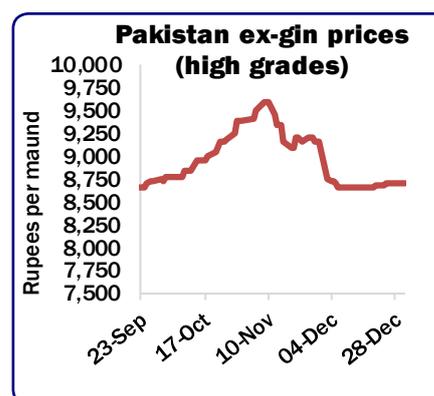
The Cotton Commissioner noted that the crop faced extraordinarily hot temperatures during the critical stage of its development, followed by an unseasonably warm September.

Very modest quantities of seed cotton arrivals have continued to reach cotton stations over the past few days. The end-of-year PCGA arrivals figures are awaited. Growers have continued to release seed cotton stocks gradually from their holdings and have endeavoured to increase their asking rates, in view of the recent upturn in international cotton prices.

Growers have been able to sell limited quantities at higher prices. Earlier in the week, seed cotton was quoted at around Rs. 2,900/4,250 per 40 kilos. However, since ginning factories are running down their season's operations, active buyers of seed cotton have become scarce.

Firm local cotton prices

During the past week, unchanged conditions have generally prevailed in the domestic market. Sporadic buying has continued within the



recent price range, with desirable grade local stocks proving harder to find. Nevertheless, many ginners remain tight sellers, driven by higher New York futures. Mills have been watchful of market developments and have not been keen to chase local prices higher.

On January 2, the bulk of business for Sindh and Punjab styles was reported at prices around Rs. 8,300/9,100 per maund (roughly 65.00/71.15 US cents per lb), ex-gin, at the top-end, Rs. 100 above the values last reported for December 18. On the same date, the KCA Official Spot Rate for 2019/20-crop Grade III (1-1/16", Micronaire 3.8/4.9 NCL) was quoted at Rs. 8,900 per maund, ex-gin (up Rs. 150).

Import demand sluggish

On the import front, last Monday, the Economic Coordination Committee (ECC) of the cabinet, waived all duties and taxes on import

of cotton and allowed its import via the Torkham border (the land route from Afghanistan and Central Asian states). The measure was taken to meet the needs of the textile sector. The duty waiver will become effective from January 15.

Softened mill buying enquiry for imported growths has been witnessed over the past week or two. Most mill buyers have been unwilling to follow the upturn in the international market during the period and have chosen instead to remain on the sidelines. As usual, some retail business for US 'recaps' has persisted, but the divergence between buyers' and sellers' price ideas has restricted the scale of potential purchases. Most buyers' price ideas for upland cotton have remained in the low 70s cents per lb, CFR Karachi basis, which is no longer deemed workable from the sellers' perspective. Fine count spinners have recently covered some modest volumes of Egyptian Giza 94.

Yarn and textiles

Steady conditions have prevailed in the local yarn and textiles market. Spinners have reported moderate yarn enquiry, and yarn offtake from local weavers and knitters has remained reasonable, though downstream manufacturers have tended to cover mostly for nearby requirements.

Export demand for yarn has improved slightly over a similar time frame. Buying interest from the key Chinese market has improved slightly in terms of volume but customers' price ideas remain low. Export asking prices for 20/21s carded yarn have again been quoted unchanged at US\$390/420 per 400-lb bale, FOB, and those for 30/32s carded yarn are also unaltered at around US\$460/490 per bale.

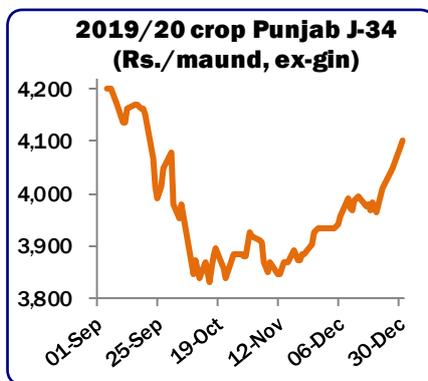
Polyester staple fibre prices have been maintained at Rs. 179/181 per kilo.

INDIA

Heavy arrivals, strong prices

Seed cotton arrivals have continued to be heavy over the past two weeks or so: daily volumes have been estimated at the equivalent of about 250,000 bales or more. The Cotton Corporation of India has been active in the market, according to some reports absorbing roughly one third of deliveries. Some farmers have preferred to sell to private ginners, either to benefit from prompt payment terms or in order to dispose of supplies that do not meet the CCI's quality criteria.

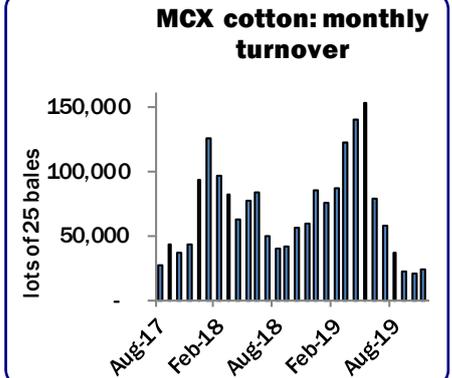
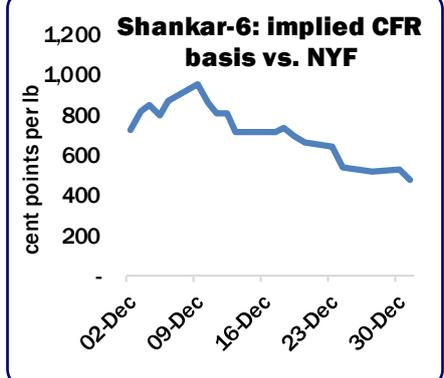
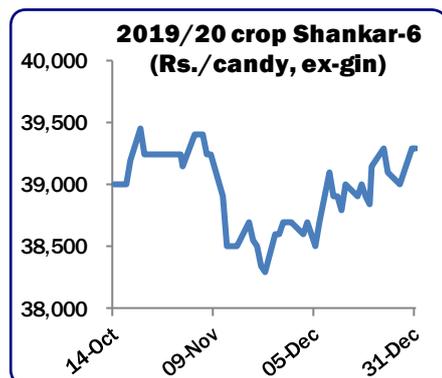
Despite the weight of the harvest, local raw cotton values have risen



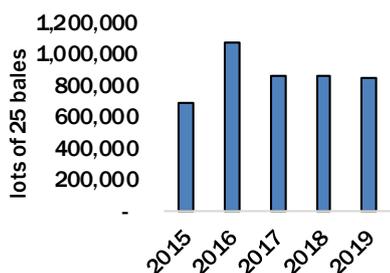
since we last reported on December 18. On the last day of December, Shankar-6 was offered at an average of ₹39,300 per candy, up some ₹400 rupees. With a weaker rupee, the equivalent value is approximately

70.30 US cents per lb. Punjab J-34 has risen by a larger margin. Nevertheless, that price reached its highest level in rupee terms since mid-September, at ₹4,100 per maund (69.85 cents per lb).

Although the domestic market has strengthened in rupee terms, a combination of currency factors (the rupee has lost ground against the US dollar since mid-December) and a rise in New York futures has served to improve the export competitiveness of Indian cotton. Some enquiry has of late been observed from markets including China, where mill buyers have been seeking offers that allow for arrival at destination by late February.



MCX cotton: annual turnover



The chart on the previous page tracks the implied Indian CFR Far East basis (relative to March futures) during the course of December (based on ex-gin prices for Shankar-6, converted to US

cents per lb and including estimated costings to the Far East, but no allowance for the seller's profit).

In the domestic futures market, the active contracts on the MCX platform also ended higher overall (with the exception of the expiring December contract) Turnover

MCX cotton futures						
	Closing price Dec 18	Closing price Dec 31	Price changes on period	OI at close on Dec 31	OI changes on period	Volume Dec 18 - 31
	Rupees per bale			Lots of 25 bales		
31-Dec-19	19,060	18,860	-200	203	-299	4,391
31-Jan-20	19,270	19,570	300	3,258	1,095	9,944
28-Feb-20	19,430	19,840	410	385	128	732
31-Mar-20	19,700	20,080	380	19	13	25
30-Apr-20	19,170	19,170	-	2	-	-
30-May-20	20,340	20,340	-	1	-	-
				3,868	937	15,092

during the holiday-affected two-week period was 15,092 lots. Open interest rose by 937 lots to 3,868.

Turnover during December recovered slightly from the previous month, to 667,450 lots (25 bales). On a calendar year basis, the volume traded during 2019, at 845,810 lots, was on a par with the previous two years but well below that attained in 2016.

BANGLADESH

The rising trend of New York futures prompted some spinners to enter the market prior to the year-end. Mill buying enquiries have lately focussed mainly on Indian and African Franc Zone origins, for shipment nearby. Despite the latest upturn in buying interest, financial constraints persist. Many prospective buyers have been struggling to open Letters of Credit, and banks have continued to take a very cautious approach to providing loans.

Recent confirmed upland business has included new crop Indian, MCU-5, 30mm, Micronaire 3.5/4.6 NCL, 30gpt, booked at around 75.00 US cents per lb, for prompt shipment.

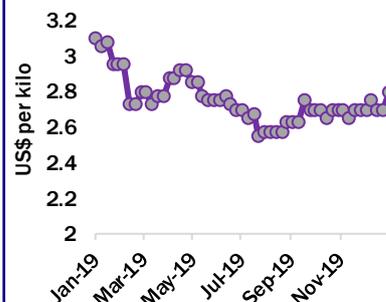
Reports have also included a long staple purchase of US Pima 2-2-48 (green cards), Micronaire 3.5/4.9, 44gpt bought at 122.00 cents per lb, for shipment January.

Although international cotton replacement costs have risen, asking prices for warehouse stocks have generally been held unchanged. Offering rates for Indian MCU-5, 30/31 mm, have been maintained at around 78.00/80.00 cents per lb, with some lots of Shankar-6 1-1/8" still attracting a discount of around one or two cents. Offers of African Franc Zone top grades, staple 1-1/8", attract a premium of around two or three hundred cent points above the Indian MCU-5 price.

Yarn and Textiles

The typical range of offering rates for carded cotton 30s yarn has moved slightly higher to US\$2.75/2.85 per kilo.

Carded cotton 30s yarn



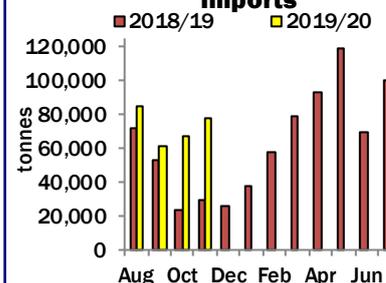
TURKEY

Slow trading conditions have prevailed during the recent holiday period. Most mills have already covered their January/February import needs and have thus been in no hurry to follow the recent rise in international prices. On the local market, Urfa 41 colour grades have been quoted at prices equivalent to around 72.50 US cents per lb, and Izmir styles at around 78.00 cents per lb.

November imports

Raw cotton imports in November amounted to 77,408 tonnes, up from 67,086 the previous month and well above the 29,141 tonnes recorded in November 2018 (at that time, it will be recalled, import volumes were reduced sharply as a result of the country's financial and currency crisis). The cumulative total for the first four months of the statistical season is 290,775 tonnes, versus

Turkish raw cotton imports

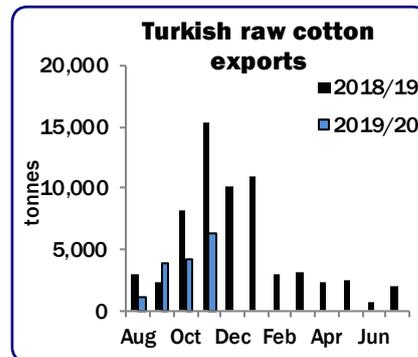


178,298 during the same period of the 2018/19 season.

The single largest supplier in November was Greece, with 39,105 tonnes, over half of the month's total arrivals. Brazil contributed 13,086 tonnes and Central Asia a further 12,845 but shipments from the US fell to just 7,497 tonnes. A few thousand tonnes of Mexican – an origin of negligible importance in recent seasons – has featured in customs data in each of the past few months. Mexico has thus emerged as the fifth supplier during the August/November period, as shown in the accompanying table.

	2017/18	2018/19	2019/20
	Aug/Nov	Aug/Nov	Aug/Nov
USA	98,204	88,080	118,646
Greece	40,788	10,457	57,688
Brazil	29,088	16,366	44,470
CIS	15,942	23,961	36,222
Mexico	-	-	13,468
West Africa	46,962	14,077	12,083
Argentina	3,553	3,508	6,724
Australia	40,875	19,217	295
Others	7,447	2,631	1,180
Total	282,858	178,298	290,775

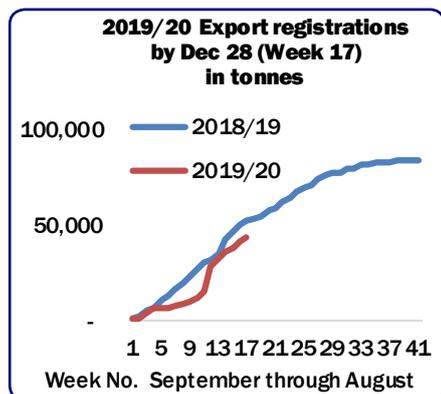
Raw cotton exports during November rose to 6,342 tonnes,



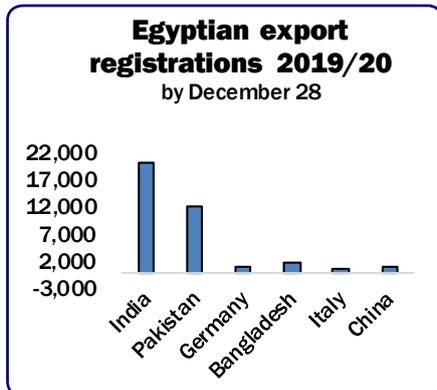
bringing the figure for the first four months of the season to 15,634 tonnes. That figure is below the total for August/November 2018 (when the aforementioned currency factors provided a major incentive to export).

EGYPT

Raw cotton export registrations during the two weeks since we last reported (weeks 16 and 17 of the marketing season) amounted to 5,479 tonnes in aggregate. Of that volume, Giza 94 accounted for 3,256 tonnes (most of which was registered at around 105.00/106.00 US cents per lb, FOB) and Giza 86 for a further 1,430 (typically at similar or modestly higher prices).



The cumulative total for the season to December 28 rose to 43,743 tonnes, just over 16 percent lower



than at the same point a year earlier – from a crop that is forecast to fall by about 33 percent. This season's smaller output has failed thus far to support export values, though some observers contend that a recovery may take place as a larger proportion of the uncommitted supply is believed now to be held in stronger hands.

India and Pakistan were again the most prominent destinations during the two-week period, contributing 3,633 and 1,302 tonnes, respectively, to the total. Cumulative sales to India amount to 20,137 tonnes (of which 13 percent have been shipped) and

those to Pakistan total 12,119 (27 percent shipped).

Classing data

According to *Catgo*, the volume of seed cotton classed by December 30 was 1,202,504 kantar (around 189,000 tonnes), of which ELS varieties accounted for less than five percent. The figure remains over one third lower than the total at a similar stage of last season.

Raw cotton imports

Offers of Greek cotton have risen progressively of late and are typically pitched around 78,00 cents per lb on a CIF basis. By comparison, business was concluded in early December at below 74.00 cents per lb, for January/February shipment.

Textile markets

Export demand is said to be at a low ebb and manufacturers complain of downward pressure on prices. It is anticipated that, as in previous years, around thirty Egyptian companies will participate in the *Heimtextil* home textiles trade fair, to be held in Frankfurt from January 7 to 10.



CÔTE D'IVOIRE

Raw cotton export shipments in November totalled a modest 7,778 tonnes, down from 11,396 the previous month. November's exports were mainly destined for Bangladesh (2,750 tonnes), Pakistan (1,807) and Vietnam (1,521). The balance of 1,700 tonnes was shared between Turkey, Portugal, India, Malaysia and Indonesia. The total for the first eleven months of the 2019 calendar year is raised to 202,053 tonnes, versus 159,199 during the corresponding period of 2018.

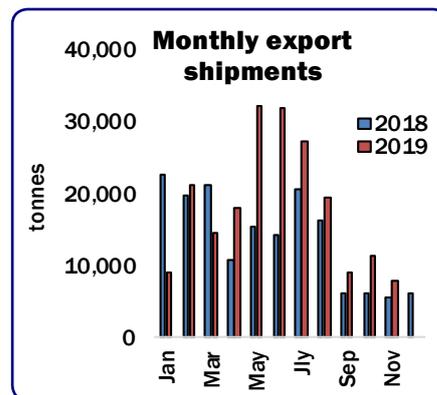
Export shipments from

Côte d'Ivoire

January/November

	2017	2018	2019
Bangladesh	30,717	47,431	67,490
India	11,785	3,896	43,901
Vietnam	17,213	29,418	23,742
China	3,371	12,313	15,294
Pakistan	27,014	8,133	14,789
Indonesia	9,779	15,327	10,548
Malaysia	17,868	25,031	10,013
Singapore	0	3,966	4,299
Bahrain	750	200	1,993
Sri Lanka	0	0	1,950
Thailand	2,450	2,837	1,708
Others	13,000	10,647	6,326
World	133,947	159,199	202,053

The heaviest shipments this year took place between May and July, as illustrated in the chart.



FAR EASTERN MARKETS

During the period under review, cotton business in the region has been very dull. In addition to holiday influences, a rising New York futures market and the associated strengthening of shippers' asking rates have left many spinners on the sidelines. Many mills have first and second quarter shipment requirements still to cover. It is suggested that signing of the Sino-US trade deal (anticipated for January 15) might lift some uncertainty from markets and stimulate a fresh round of cotton buying. Nevertheless, some purchases have been made in a few select markets and following the recent pattern, US and Brazilian have been at the forefront of demand, with some Mexican lower grades also changing hands.

During the past week, recent CFR cotton business in **Taiwan** has, once again, been very slow. Some 225 tonnes of Mexican 2019/20 crop, SLM 1-1/16" G-5 Micronaire (4.0 average), 27gpt average, has changed hands at 69.35 cents per lb, for shipment March.

In **Indonesia**, spinners' recent buying interest has been very lacklustre. However, some turnover in Brazilian Middling 1-1/8" has been witnessed, at around 78.25 cents per lb, for shipment April/May.

A couple of mills in **South Korea** have bought about 2,000 tonnes of

US cotton, for shipment during the second half of 2020, for their local and overseas operations.

Raw cotton imports

According to Thai Customs, raw cotton imports into **Thailand** during November amounted to 12,956 tonnes, slightly higher than the total (11,868) the previous month but well below the 17,713 recorded in November 2018. The main suppliers were the United States (6,290 tonnes), Brazil (3,318), the African Franc Zone (794 in aggregate) and Australia (1,323).

The August/November total is thus raised to 50,642 tonnes, 34 percent less than during the corresponding months last year. The cumulative

volume includes 27,318 tonnes of US cotton, accounting for 54 percent. In second place, 7,658 tonnes were shipped from Brazil, followed by 4,498 from Mali, 3,832 from Australia, 1,188 from Argentina, 831 from Greece and 807 from Côte d'Ivoire. Smaller quantities (of less than 750 tonnes each) were shipped from a range of other origins.

According to the latest data from the Japan Cotton Traders' Association, raw cotton shipments to **Japan** during the August-November period amounted to 17,448 tonnes.

In terms of origin, 9,702 tonnes, or just over 55 percent, were shipped from the United States during the four-month period, 2,819 from Australia, 2,009 from Brazil, 1,786 from Greece, 444 from Argentina and 276 from India. Imports from other origins amounted to just over 400 tonnes.

Thailand's raw cotton imports

(in tonnes)

Aug/Nov

2018/19 2019/20

United States	30,004	27,318
Brazil	9,489	7,658
Mali	2,825	4,498
Australia	14,554	3,832
Argentina	4,733	1,188
Greece	318	831
Cote d'Ivoire	1,891	807
Tanzania	4,239	728
Burkina Faso	993	641
Mozambique	0	413
Spain	1,875	400
Togo	152	400
India	2,912	318
Zimbabwe	251	305
Others	1,892	1,309
Total	76,129	50,642

Totals may not add due to rounding

Source: Thai Customs

Japan

Raw cotton imports (tonnes)

2018/1 2019/20

Country	Aug/Nov	Aug/Nov
U.S.	6,376	9,702
Australia	3,254	2,819
Greece	2,680	1,786
Brazil	1,419	2,009
Argentina	664	444
India	81	276
Zimbabwe	0	124
Turkey	112	154
Egypt	99	53
Peru	20	15
Others	25	66
Total	14,731	17,448

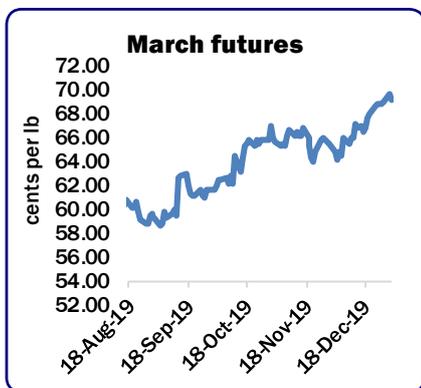
UNITED STATES

US-Sino trade developments boost futures

The recent partial accommodation announced earlier this month between Washington and Beijing with regard to trade issues continued to set the tone for the No. 2 cotton futures contract during the year-end period. President Trump said on December 31 that he will be signing the Phase One agreement with China on January 15 at the White House. He added that at a later date he will be traveling to Beijing to begin Phase Two negotiations.

The 86-page Phase One document, which has not been released to the public yet, is understood to relate to China's rules on intellectual property and currency movements, as well as additional purchases of US agricultural products valued at US\$40/50 billion.

Buoyed by the positive direction of relations with China, the cotton market has been trading on decent volume through the holiday period. Turnover over the past two weeks was in excess of 228,000 contracts, as March and other front months continued to work higher.



Over the last eight sessions of 2019, the spot month rose to a level not seen since mid-May and by December 31 had posted a net gain of 231 cent points.

Returning speculative buyers have contributed to the upside movement which took the spot month to its highest settlement (69.56 on December 30) since ending at 70.37 cents on May 10. On December 31, the nearby month met resistance and ended the day lower (-51) for the first time since December 17.

Speculative buying had already become a market feature earlier in the month. Data available since we last

ICE No. 2 Cotton Futures

(in cents per lb)
No. 2:

	31-Dec	18-Dec	Change
Mar-20	69.05	66.74	2.31
May-20	70.18	67.83	2.35
Jly-20	70.95	68.66	2.29
Oct-20	70.90	68.82	2.08
Dec-20	70.36	68.72	1.64
Mar-21	70.80	69.32	1.48
May-21	70.89	69.22	1.67
Jly-21	70.99	69.12	1.87
Oct-21	70.49	68.12	2.37
Dec-21	69.99	67.82	2.17

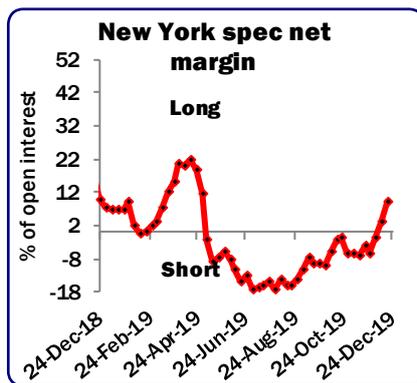
Certificated stock as of December 30 totaled 9,221 bales.

Chicago Futures

(in cents per bushel)

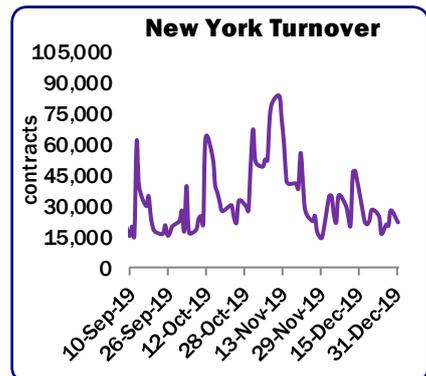
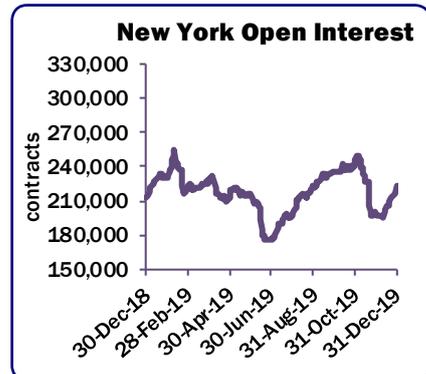
	31-Dec	18-Dec	Change
Soybeans			
Jan-20	943.00	928.50	14.50
Mar-20	955.50	940.50	15.00
May-20	968.75	954.00	14.75
Wheat			
Mar-20	558.75	548.25	10.50
May-20	561.75	551.75	10.00
July-20	563.50	553.50	10.00
Corn			
Mar-20	387.75	387.00	0.75
May-20	394.75	393.50	1.25
July-20	401.00	399.50	1.50

reported confirm that by December 17 speculators had finally moved from a net short to a net long position in cotton futures. On that date, their net long margin was equal to 3.4 percent of the open interest and a week later that margin had expanded to 9.5 percent of the total open interest (214,041 contracts). During the week ended December 24, speculators added 4,677 longs and reduced shorts by 8,531. Commercial traders decreased longs by 3,461 and added 13,192 shorts during the period for a resultant net short margin of 12.5 percent.



Open interest has been on the rise, reaching 222,851 contracts on December 30, its highest level since November 18.

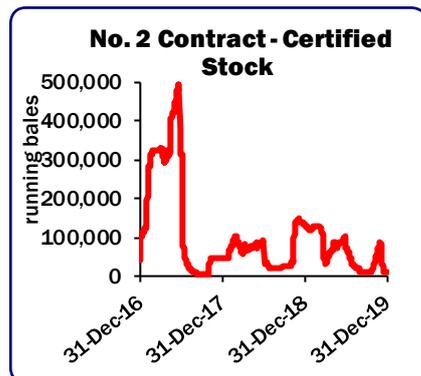
Spot Market sales increased by 90,295 bales in the four-day period ended December 31, bringing the season-to-date total to 869,979 bales. Texas cotton accounted for 84,493 of the bales sold during the period. Basis levels remain unchanged.



Sales on *The Seam* were also active during the past week: grower-to-business turnover totaled 49,987 bales. Business side sales for the same period totaled 6,847 bales. The average prices paid were 60.58 and 61.88 cents per pound, respectively.

Grower To Business				
Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Mfs Terr	66.91	0	786	786
Southwest	60.48	13,290	35,911	49,201
Total	60.58	13,290	36,697	49,987
Business To Business				
Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Southwest	61.88	6,024	823	6,847
Total	61.88	6,024	823	6,847

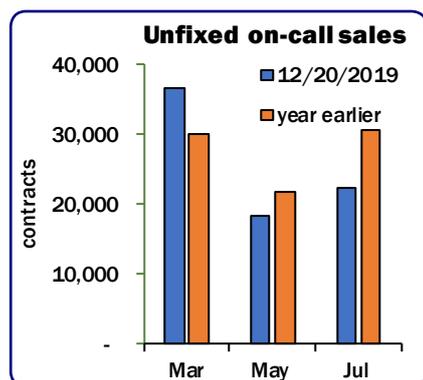
Certificated stocks decreased to 9,221 bales (the lowest since October 22) after an additional 9,942



US UPLAND AND PIMA STATISTICS

decertifications were reported by ICE since December 18.

The CFTC On-Call Cotton report for the week ended December 20 showed a total of 105,706 contracts, a rise of 3,304 contracts on the week. The corresponding figure at the same point a year earlier was 113,412 contracts. March '20 unfixed on-call sales declined by 342 contracts to 36,577 while those on May '20 and July '20 increased by 682 and 387 contracts, to 18,244 and 22,366 respectively.



CCC Loan Activity

Current crop upland entries into the Commodity Credit Corporation loan program increased by 940,281 bales to 7,620,114 during the week ended December 16. Repayments from the current crop amounted to 254,328 during the period, and 1,137 bales were redeemed from the 2018/19 season. A total of 12,340 bales were forfeited from the old crop, while no repayments nor forfeitures from the 2017/18 and 2016/17 marketing years were reported. The outstanding stock for all four seasons therefore increased to 5,854,725 bales, of which cooperatives and loan servicing agents accounted for 5,231,794, leaving independent growers with 622,931 bales.

Crop developments

The harvest season has drawn to a close across the cotton belt, and winter field preparations have been completed in most states. As seed cotton supplies draw down, many gins have either reduced their hours of operation or have closed for the year. Larger pressing plants, though, have resumed operations following the Christmas holiday, and most expect to process supplies for another two to three weeks.

SPOT MARKETS

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

	Prices		Turnover
	31-Dec	18-Dec	
	(cents per lb)		
Southeast	67.80	(65.49)	51
N. Delta	66.30	(64.24)	786
S. Delta	66.30	(64.24)	0
E. Tx/Okla	63.80	(61.49)	23,502
West Texas	63.80	(61.49)	60,991
Desert Southwest	61.80	(59.24)	4,965
San Joaquin Valley	62.30	(59.74)	0
7 MARKET AVERAGE	64.59	(62.28)	
Turnover for the period ending Dec. 31			90,295
Total turnover for season to Dec. 31			869,979

Selected markets to December 31 (Dec. 18 values in NORTH DELTA)

	Middling (31)	SLM (41)
1-1/16" (34)	67.55 (65.49)	66.30 (64.24)
1-3/32" (35)	68.55 (66.49)	66.80 (64.74)

Basis for SLM 1-1/16" (41/34):
NY No.2 Mar '20 -275

SAN JOAQUIN VALLEY

1-3/32" (35)	71.20 (68.64)	64.00 (61.74)
1-1/8" (36)	74.70 (72.14)	65.10 (62.54)

Basis for Midd. 1-3/32" (31/35):
NY No.2 Mar '20 +215

WEST TEXAS

15/16" (32)	60.15 (57.84)	59.05 (56.74)
1" (33)	62.15 (59.84)	59.80 (57.49)
1-1/32" (34)	64.40 (62.09)	63.80 (61.49)

* 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 December 31, compared with December 18 in parenthesis, were as follows:

AMERICAN PIMA

GRADE	1-3/8" (44)	1-7/16" (46)
2	104.25 (104.25)	113.00 (113.00)
3	90.50 (90.50)	98.25 (98.25)
4	69.75 (69.75)	77.50 (77.50)

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.

Attention is gradually turning to the outlook for the next crop. In **West Texas**, stalks have been cut and shredded in preparation for winter. Light to moderate precipitation has fallen over the two-week period since we last reported, with heavy amounts of around 1.00" recorded in isolated locales. According to the National Weather Service, rain accumulations for December have surpassed the normal level in some areas, with 1.00" recorded in Amarillo for the month and 25.88" for the period from January 1 to December 28, compared with the yearly normal of 20.36". Although soil moisture remains near normal across most of the High and Rolling Plains, additional precipitation would be welcomed this winter to ensure that ponds and lakes are fully recharged.

Temperatures have vacillated from above-average to abnormally cool since we last reported two weeks

LOAN STATISTICS

CCC Data as of December 16, 2019 (running bales):

Crop	Total Entries	Repayments	Forfeitures	Outstanding
				Stock
19/20	7,620,114	1,803,369	0	5,816,745
18/19	8,250,189	8,149,632	62,730	37,827
17/18	9,799,746	9,799,683	59	4
16/17	9,372,917	9,372,752	16	149
Totals	35,042,966	29,125,436	62,805	5,854,725
Last period's total (Dec. 9)				5,182,249

*Including 622,931 bales held by individuals and 5,231,794 by cooperatives

Details by state for 2016/17 crop, 2017/18 crop, 2018/19 crop, and 2019/20 upland cotton remaining under loan are as follows (the figures include cotton from both individual growers and the cooperatives):

	- OUTSTANDING -			
	2019/20	2018/19	2017/18	2016/17
N. Carolina	262,610	-	-	-
S. Carolina	124,552	-	-	-
Georgia	567,447	3,690	-	117
Alabama	231,672	2	-	32
Florida	68,728	-	-	-
Virginia	11,153	-	-	-
Southeast	1,266,162	3,692	0	149
Tennessee	568,094	173	-	-
Illinois	-	-	-	-
Missouri	436,750	-	4	-
Mississippi	972,234	965	-	-
Arkansas	819,329	28	-	-
Louisiana	270,134	1	-	-
Memphis Terr	3,066,541	1,167	4	0
Texas	1,240,505	21,923	-	-
Oklahoma	71,736	6,511	-	-
Kansas	27,791	1,667	-	-
South West	1,340,032	30,101	0	0
New Mexico	8,092	206	-	-
Arizona	58,299	2,047	-	-
California	77,619	614	-	-
Far West	144,010	2,867	0	0
Upland Total	5,816,745	37,827	4	149

Pima CCC Loan Activity

running bales to December 16, 2019

	Total Entries	Repayments	Forfeitures	Outstanding
				Stock
2019/20	123,518	7,777	-	115,741
2018/19	424,217	419,424	-	4,793
	547,735	427,201	-	120,534
Previous Total Outstanding (Dec. 9):				102,595
Arizona	2,660	380		
California	106,941	4,413		
New Mexico	2,956	-		
Texas	3,184	-		
Pima Total	115,741	4,793		

Basis Levels

2019/20		
cents per lb		
Southeast	SLM 1-3/32"	200 "off" to even
Memphis Territory	SLM 1-3/32"	100 to 300 "off"
Texas/Oklahoma	SLM 1-3/32"	400 to 550 "off"
Far West - SJV	Midd 1-3/32"	150 to 300 "on"
DSW - Arizona	Midd 1-3/32"	250 to 400 "off"

Mar '20 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

ago. A warming trend, though, is in the near-term forecast, which will help soft soils firm and allow the final retrieval of seed cotton supplies from fields. Processing plants have been working at full capacity, and backlogs of seed cotton supplies on yards are decreasing. Hence, a few pressing plants have reduced their hours of operation. Most, though, plan to gin

US EXPORT SALES

The export report for the week ended December 19 showed net upland sales of 135,100 running bales for shipment during the current marketing year. Increases were reported primarily for Vietnam (46,400 bales, including 400 bales switched from Japan and a decrease of 1,300 bales), Turkey (29,700), Indonesia (17,900, including 900 bales switched from Malaysia, 500 bales switched from Japan and a decrease of 3,600 bales), Colombia (11,000) and Bangladesh (8,900). Reductions for China amounted to 12,900 bales.

Export shipments of 202,100 running bales were primarily to Pakistan (34,100), Bangladesh (29,000), Vietnam (24,800), China (22,100) and India (21,300).

For 2020/21, a net sales reduction of 9,300 running bales was shown, as increases for Costa Rica (4,200) and Thailand (1,300) were more than offset by a reduction for Indonesia (14,900).

Net sales of Pima totalled 19,300 running bales. Increases were primarily for India (8,500), Bangladesh (3,700), Austria (2,600), Pakistan (1,300) and Thailand (1,200). Export shipments were 8,400 running bales. The primary destinations were India (2,800), Vietnam (1,800), El Salvador (900), Peru (900) and Turkey (600).

The cumulative sales commitment (both upland and Pima) by December 19 was 11,561,500 running bales, equivalent to roughly 72 percent of USDA's projection for the season (16.5 million bales of 480 lbs). Of that volume 3,861,700 running bales had been shipped, representing about 24 percent of the Department's estimate. The sales figure is seven percent ahead of the total at the same

cotton well into January.

In **South Texas**, conditions have been mostly dry, with above-average temperatures for this time of year. Soil moisture evaporation has increased, and groundwater table supplies have been dropping. However, inclement weather is in the near-term forecast, and precipitation accumulations of between 0.50" and 1.25" are projected, which will help to ease dry soils.

Fields have already been prepared for winter, and an extended period of rainy weather is needed over the coming weeks to ensure adequate moisture prior to planting. Sowing operations usually commence in the Rio Grande Valley in the latter part of February or early March, depending upon soil conditions.

Meanwhile, intermittent storms have brought light to moderate rainfall to the **Memphis Territory** during the period under review. Soil moisture is already at or near surplus throughout

most of the Delta, with only a few areas in Louisiana considered 'short'. A warming trend is in the near-term forecast, but another round of rain is possible around the New Year. Stalks have been cut and shredded in a vast majority of fields, and a harsh winter (with below-freezing temperatures) would be welcomed in the next couple of months to help kill overwintering insects and weeds.

Welcome rains also have fallen in the **Southeast**, boosting soil moisture throughout the region. Hence, most cotton-producing areas are drought-free. The harvest has ended, and final field preparations have drawn to a close in many states. Mild weather remains in the near-term forecast, which should allow the timely completion of fieldwork.

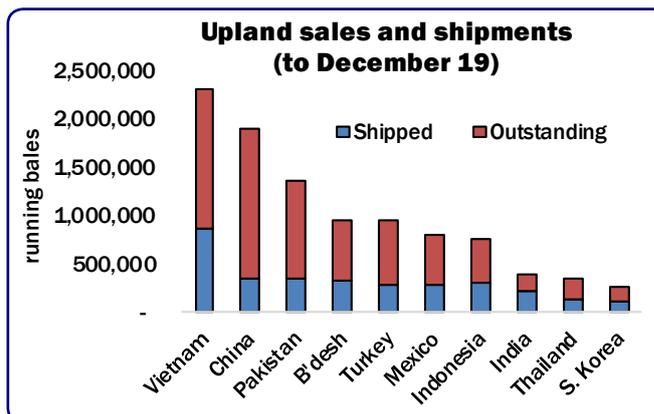
A series of storms have marched across the **Far West**, bringing beneficial rain to central and northern California and snow to the Sierra Nevada Mountains. Water levels in

area ponds, lakes, and reservoirs, therefore, have improved. Picking has ended, and fields have been prepared for winter as required by the Pink Bollworm program.

Snow has fallen in the Sierra Nevada Mountains over the past couple of weeks, helping increase the winter snowpack. Based upon data from the California Department of Water Resources, the snowpack was at 102 percent of normal as of December 26 and 32 percent of the April 1 average. Much more snow, therefore, would be welcome in the upcoming weeks to boost the snowpack, which will prove beneficial in the spring when the run-off into reservoirs irrigate fields in California's San Joaquin Valley.

Elsewhere, scattered thunderstorms have brought gusting winds and rain to parts of Arizona. Soil moisture has improved, but additional precipitation will be needed prior to spring planting to reduce the need to

Week Ended December 19	2019/20			2020/21	
	Upland	Pima	All cotton	Upland	Pima
Previous unshipped commitments	7,594.3	161.6	7,755.9	987.3	0.0
New sales	158.2	19.4	177.6	5.6	0.0
Cancellations	23.1	0.0	23.1	14.9	0.0
Net sales	135.1	19.4	154.5	-9.3	0.0
New commitments total	7,729.4	181.0	7,910.4	978.0	0.0
Week's shipments	202.1	8.5	210.6	0.0	0.0
Cumulative shipments	3,700.9	160.8	3,861.7	0.0	0.0
Unshipped commitments	7,527.3	172.5	7,699.8	978.0	0.0



point of last season, while the shipment figure shows a year-on-year increase of over 15 percent.

Almost 33 percent of upland sales had been shipped by December 19. However, the proportion varies according to individual export destinations. For Vietnam, 38 percent of sales had been shipped by that date, whereas the figure for China was only 19 percent, the smallest of any of the major markets.

irrigate. Mostly dry, reasonable conditions, though, are in the near-term forecast.

Beltwide conferences

The Beltwide Cotton conferences will be held in Austin, TX from January 6-8. The stated aim of the event is, "to speed the transfer of new technology to US cotton producers and other industry members with the goal of strengthening US cotton's competitive position in the world marketplace and enhancing industry members' profitability."

Ginnings

According to the USDA, 15,601,950 running bales of all cotton were ginned as of December 15, of which 372,900 bales were Pima. A total of 15,229,050 bales of upland were processed from the current crop, compared with the 11,868,700 that were pressed from the 2018 season this time a year ago and the 13,550,350 that were ginned as of December 15, 2017.

Upland Ginning Statistics

	2017/18	2018/19	2019/20
All Upland Cotton:			
N. Carolina	661,400	629,250	922,750
S. Carolina	306,400	262,250	354,800
Georgia	1,711,350	1,304,500	2,183,600
Alabama	554,650	590,450	814,550
Florida	89,600	54,400	126,250
Virginia	138,700	157,800	183,600
Southeast	3,462,100	2,998,650	4,585,550
Tennessee	695,600	731,250	858,950
Missouri	636,350	705,400	673,300
Mississippi	1,140,300	1,200,300	1,348,850
Arkansas	1,021,200	1,103,600	1,231,600
Louisiana	396,350	395,050	520,400
Mid-South	3,889,800	4,135,600	4,633,100
Texas	*	4,216,000	5,355,600
Oklahoma	246,450	197,600	285,800
Kansas	*	31,200	68,850
Southwest	246,450	4,444,800	5,710,250
New Mexico	*	18,550	*
Arizona	213,750	155,100	*
California	150,500	116,000	118,550
Far West	364,250	289,650	118,550
Total**	13,550,350	11,868,700	15,229,050

* Not published to avoid disclosure of individual gins.

** Totals do not add because of information withheld.

Upland Classings by State

	2019 YTD	2019 12-Dec-19	2018 TOTALS
		26-Dec-19	
		running bales	
Alabama	865,418	771,280	811,773
Georgia	2,362,477	2,040,163	1,948,765
Nth. Carolina	974,186	883,008	703,484
Florida	137,191	114,538	82,621
Virginia	194,980	174,571	184,393
Sth. Carolina	374,987	330,070	363,584
Southeast	4,909,239	4,313,630	4,094,620
Arkansas	1,309,415	1,146,559	1,269,358
Mississippi	1,410,135	1,242,588	1,399,286
Missouri	713,730	584,215	754,865
Louisiana	536,861	491,773	415,905
Tennessee	886,144	771,298	762,551
Memphis Teri	4,856,285	4,236,433	4,601,965
Texas	5,745,093	5,072,372	6,749,052
Oklahoma	329,477	258,925	605,930
Kansas	91,114	70,876	336,505
Southwest	6,165,684	5,402,173	7,691,487
Arizona	177,463	136,860	405,036
California	126,184	107,292	197,794
New Mexico	19,167	14,013	33,828
Far West	322,814	258,165	636,658
Total	16,254,022	14,210,401	17,024,730

* Not published to avoid disclosure of individual gins.

** Totals do not add because of information withheld.

USDA and US Textile and Apparel Trade Data Cotton Report Dates 2020

Jan 7:	November Textile and Apparel Imports
Jan 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Annual Crop Production- 2019, Cotton Ginnings
Jan 23:	Cotton Ginnings
Feb 5:	December Textile and Apparel Imports
Feb 11:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Mar 6:	January Textile and Apparel Imports
Mar 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Mar 31:	Prospective plantings for cotton, 2019 crop
Apr 2:	February Textile and Apparel Imports
Apr 9:	Crop Report- acreage, yield and production, Supply and Demand Estimates
May 5:	March Textile and Apparel Imports
May 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings- annual summary
Jun 4:	April Textile and Apparel Imports
Jun 11:	Crop Report- acreage, yield and production, Supply and Demand Estimates
Jun 30:	Acreage Report
July 2:	May Textile and Apparel Imports
July 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates
Aug 5:	June Textile and Apparel Imports
Aug 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Sep 3:	July Textile and Apparel Imports
Sep 11:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Sep 23:	Cotton Ginnings
Oct 6:	August Textile and Apparel Imports
Oct 9:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Oct 22:	Cotton Ginnings
Nov 4:	September Textile and Apparel Imports
Nov 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Nov 24:	Cotton Ginnings
Dec 4:	October Textile and Apparel Imports
Dec 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Dec 22:	Cotton Ginnings

*Please note: The USDA report release times are 1700 GMT (1200 EST)

Classings

A total of 2,043,621 bales of upland and 73,220 of Pima were inspected beltwide during the two-week period ended December 26, as reported by the Agricultural Marketing Service. The season-to-date all-cotton total, therefore, increased to 16,663,599 bales, of which 409,577 were Pima. The proportion of upland cotton tenderable against ICE futures amounted to 80.0 percent for the marketing year.



US PRICE MECHANISM

US Price Mechanism

- 2019/2020 season -

- value if applied today, January 2, 2020 -

Take 5-day average of:-

A) Five Far Eastern Midd.1-3/32" CFRs	76.88
B) Three Far Eastern 'fine count' CFRs	78.58
C) Three Far Eastern 'coarse count' CFRs	76.73
D) Cheapest US Midd. 1-3/32" CFR	77.56

ADJUSTED WORLD PRICE CALCULATION

Deduct from A

Average cost to market 15.20

Loan Quality Differential

(at average location) between:

Middling 1-3/32" 54.05

SLM 1-1/16" 52.00 2.05

E) Total Adjustment Factor	17.25
F) Adjusted World Price (A - E)	59.63
G) Fine Count' Adjustment Factor	must be above zero
2019 crop (current values 2.05-(B-A))	0.35
H) Coarse Count' Adjustment Factor	must be above zero
(current values A-C-4.95)	-4.80
I) Loan Deficiency Payment, Basic Loan (52.00) - F	-7.63

American Pima Competitiveness Payment

Basic Loan Trigger

P1) Cheapest competing foreign quote CFR Far East: (week to date average)	159.00
P2) P1 adjusted for quality and transportation ((P1+2.04)-17.25)	143.79
P3) Basic ELS Loan Rate (95.00) adjusted for quality 2-2-46	95.75
P4) Basic Loan Trigger = 113% of P3. P2 must be lower than P4 for four weeks for payments to be triggered <i>The Basic Loan Trigger criterion must be met for any payment to be calculated</i>	108.20

Payment Calculation

P5) Friday/Thursday US Pima CFR Far Eastern Average	125.00
P6) Weekly average cheapest competing foreign quote CFR Far East (adjusted for quality) (P1+2.04)	161.04
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 January 2	N/A

ARGENTINA

Generally fine weather has prevailed across the main cotton-region. On December 21, unsettled weather brought some locally heavy rainfall (up to 90 millimetres in certain locations), while scattered showers

were recorded on December 25 and 26. In general, recent conditions would seem to have been helpful to the developing crop, sowing of which was concluded by mid-December in most areas.

Commercial activity has of course

been limited by holiday influences, but some further raw cotton export business is understood to have been under discussion as New York futures have made progressive gains. Export registrations between December 20 and 30 amounted to 735 tonnes.