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Raw Cotton



Weekly Report



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Daily Log

📌 Bangladesh

Government prioritising cotton production. Agriculture minister on Friday said that the government was giving emphasis on cotton production in the country and strengthening the Cotton Development Board for this. He said that Bangladesh had to import about 80-86 lakh bales of cotton every year whereas the production of cotton in the country was only about 2 lakh bales. The government is strengthening the Cotton Development Board in all respects, he said, adding that it was setting up physical infrastructures, equipment, laboratories and recruiting skilled manpower so that the production of cotton could be accelerated and the target could be achieved by inventing new varieties suitable for the climate of Bangladesh.¹

Bangladesh's apparel industry needs to embrace digitization. Discussants remarked that the current state of mass disruption in global apparel presents an opportunity for the country to reinforce its position as a leading apparel exporter. Bangladesh's apparel industry needs to embrace digitization, reduce lead time, and focus on online marketplace and product diversification to retain its position in the global markets, said experts recently.²

📌 India

Grand claims are often made for GMO Bt cotton in India. By nearly all measures, hybrid Bt cotton in India is a failure, or at best very suboptimal for farmer welfare. Despite increases, Indian yields are no more than some of the poorest African countries which do not cultivate hybrid cotton or Bt-cotton.³

Chinese silk yarn next on govt's radar amid surge in border tensions. India will cease imports of silk yarn from China in yet another economic response against the neighbouring country following a surge in military tensions between the two nations this year. The Union government wants to change India's status as a major importer of silk yarn. India imported raw silk worth \$99 million from China in FY20, which declined by 31% from the previous year.⁸

Excess rains have affected cotton crops in the cotton growing districts of Jalgaon, Dhule and Nandurbar in Maharashtra. The cotton bolls have started rotting, which will affect the first plucking. A cotton plant undergoes about four pluckings in the harvesting season. The rains will reduce the quality of cotton in the first plucking, which will affect farmers' earnings. Agriculture Department said the cotton crop planted in late May and early June has been most affected. Loss in quality will force farmers to sell their produce for a pittance, adding to their misery. The Minimum Support Price declared by the Centre for medium staple cotton is ₹5,515 per quintal and ₹5,825 for long staple cotton. The decline in quality may bring down the cost by ₹500-1,000. In these three districts cotton has been planted on about 8.5 lakh hectares.¹¹

□ China

In the 2019/20 marketing year, China accounted for just over 22 percent of total world cotton production, of which 86 percent of that was produced in Xinjiang province (just under 20 percent of the world total). China exports only a small amount of cotton lint, half-of-one-percent of production. Other than some minor exports to North Korea, most remaining exports are reexports of foreign cotton from consignment warehouses. In addition, China is the world's largest importer of cotton. This provides China with a supply of cotton normally greater than one-third of world use and nearly 40 percent larger than India.⁴

□ United States

US drops sweeping Xinjiang goods ban, China's cotton sector breathes temporary sigh of relief The US has pulled back from a wide-ranging ban on cotton from China's Xinjiang region, while opting for narrower restrictions. Xinjiang produces 20 percent of global cotton supply, meaning a ban would have had a huge impact on Chinese and Asian supply chains.⁹

The WASDE report confirmed a reduction in the US crop, which had been expected by the trade, although the USDA's 17.06 million bales were at the lower end of expectations. With further setbacks possible from Hurricane Sally and cold weather in West Texas, the crop may be at no more than 16.75 million bales, which is substantially less than the USDA's initial estimate of 19.50 million bales back in May.⁴

US export sales of Upland and Pima cotton increased by a strong 547,600 running bales net during the week of September 4-10, with China accounting for 452,700 running bales or 83% of the total. However, there were a total of 14 markets participating in the buying, which shows that there is widespread buying interest on dips. Shipments of 204,400 RB went to 23 different destinations, which too is an encouraging sign.⁴

For the current season we now have total commitments of 8.1 million statistical bales, of which 1.8 million bales have so far been exported. Interestingly there were no new commitments for the next marketing year, which has sales of just over 0.4 million bales so far. This shows the lack of visibility, as most mills are not able or willing to plan more than a few months ahead in the current environment.⁴

□ Pakistan

Production jumps as containment of virus prompts global buyers to order from Pakistan. The single largest export earning sector of Pakistan – has scaled up productions to pre-Covid-19 level of full-capacity, as a significant improvement in containment of the pandemic in the country led the world buyers to partially divert their orders to domestic manufacturers. Pakistan has to import five million bales (of 225 kilograms each), which comes equal to estimated local production of eight million bales (of 150 kilograms each) this year, imports are estimated to cost around \$1.8 billion. The import of cotton surged 255% in the first two months (July-August) of the current fiscal year 2021.⁷

General Overview of September, 2020

- For 2020/21, the September forecast shows lower use, beginning and ending stocks, higher production and trade. Production is raised in China, India, and Australia, partially offset by declines in Pakistan and Turkey. Consumption is lowered slightly, with declines in Mexico and Brazil. Global trade is slightly higher. The U.S. forecast shows lower production, exports, use, and ending stocks. Yield is projected at a record. The U.S. season-average farm price is unchanged at 59 cents per pound.⁴
- For 2019/20, this month's estimate shows lower production, use, and ending stocks. The U.S. estimate shows higher exports and lower consumption and ending stocks; the season-average farm price is unchanged at 59.5 cents per pound.⁴
- The trade volume between Tanzania and Pakistan rose by about 44 percent in one year, thanks to a rise in the former's cotton exports to the latter. The weekend that the volume rose from \$107.4 million in the 2018/19 financial year to \$154.8 million in the previous year.¹⁰
- 2019/20 production remained relatively high as the Minimum Support Price (MSP) in India helped push its production to near-record levels and has resulted in the government acquiring a significant level of stocks. Moreover, Brazil registered its third consecutive record crop, as most production has shifted to second-crop cotton, which has a lower cost of production.⁴
- Net export sales were notably higher and quite impressive while shipments were lower Vs the previous assay period at approximately 548K and 204K RBs, respectively. The US is 55% committed and 12% shipped Vs the USDA's 15M bale export projection. Sales were well ahead of the pace required to realize the USDA's target while shipments were off the pace requirement. Cancellations were negligible; China was the major taker for the period, accounting for around 82% of new sales. The latest data took us by surprise. We are currently are projecting US exports at 15M bales, 400K ahead of USDA.⁵
- Current USDA estimates show global consumption in 2019/20 and 2020/21 together down just under 25 million bales (with 2020/21 down 15 percent) from the February Outlook projections. The 2020/21 world production forecast is virtually unchanged, and COVID-19's negative impact on cotton demand was too late in the season to shift planting decisions away from cotton for most major producing countries This has pushed the stocks-to-use ratio back up into the 90 percent range.⁴
- The global export of cotton yarns has reportedly declined 9.5 per cent from \$14,565.80 million in the year 2017 to \$13,182.02 million in 2019. Total exports dropped down 13.52 per cent in 2019 over the previous year. However, the exports are further expected to move up to \$13,955.25 million in 2022 with a rate of 5.87 per cent from 2019.¹³
- India (\$2,914.27 million), Vietnam (\$2,808.10 million), China (\$1,775.64 million), US (\$1,217.10 million) and Pakistan (\$1,109.93 million) were the key exporters of cotton yarns across the globe in 2019, together

comprising 74.53 per cent of total export. These were followed by Indonesia (\$582.24 million), Turkey (\$521.92 million) and Hong Kong (\$458.06 million).¹³

- China (\$4,947.40 million), Turkey (\$568.79 million) and Italy (\$525.42 million) were the key importers of cotton yarns in the globe in 2019, together comprising 52.71 per cent of total import. These were followed by Hong Kong (\$432.92 million), South Korea (\$426.06 million) and Vietnam (\$413.27 million).¹³
- The organic cotton production is projected to rise 10 per cent in the just completed 2019/20 crop season based on pre-COVID estimates. Organic cotton production rose by 31% over the previous period for the harvest year 2018/19. Built on 418.935 hectares of soil in 2018-18, 222.134 farmers produced 239,787 metric tonnes in 19 different countries. Furthermore, there was a conversion to organic 55,833 hectares of cotton cultivating land to satisfy increasing demand.¹²
- Estimate that 7 countries have developed about 97% of global organic cotton: India (51%), China (17%), Kyrgyzstan (10%), Turkey (10%), Tajikistan (5%), and Tanzania (2%) and the US (2%). The route is led by India and Pakistan, followed by Turkey, Greece and Tajikistan, of the 55,833 hectares of land converted into organic.¹²

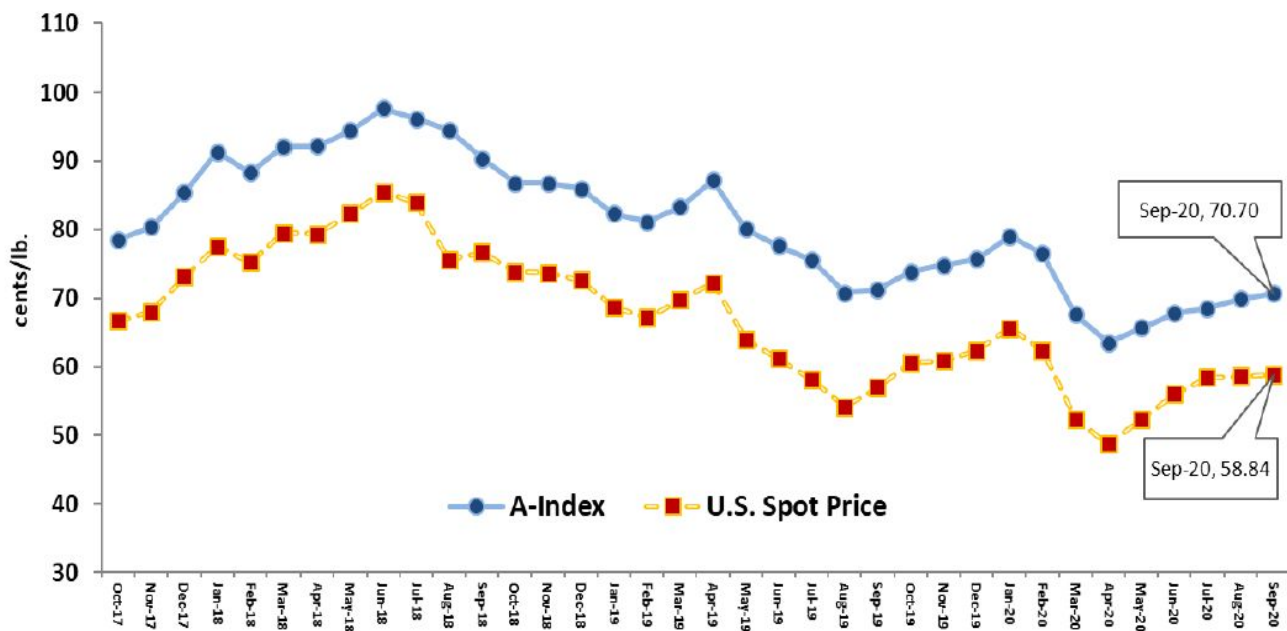
Cotton Price Highlights

NY futures continued to push higher this week, as December gained another 104 points to close at 65.85 cents.⁶

Since posting a low of 63.40 on September 9, December has been on a steady climb towards the 67 cents level, before pulling back somewhat over the last two sessions. A friendly WASDE report (at least from a US perspective), more Chinese buying and Hurricane Sally all helped to pull the market out of last week's hole.⁶

Both the A-index and U.S. spot price have continued to rise slowly as old crop supplies tighten and Northern Hemisphere new crop remains unavailable for shipment.⁴

Monthly Average Cotton Prices



Monthly average index⁴

The ICE Dec cotton contract gained 85 points for the week ending Sept 18 finishing at 65.66, the Dec - Mar switch tightened a bit at (92). Last weekend, our proprietary model (timely results provided in our complete weekly report) predicted a finish that would be nearly unchanged to lower Vs the previous Friday's settlement, which proved to be incorrect.⁵

ICE cotton moved modestly higher on the week on continued consideration of last week's tightened USDA domestic balance sheet (which was still bearish) and ahead of hurricane Sally's landfall. However, the market ignored blockbuster US export data and Sally's actual landfall on Thursday and Friday.⁵

Yearly Comparison⁴

TOP IMPORTERS		(mMT)			
Country	2018/ 19	2017/ 18	2016/ 17	2015/ 16	
1. China	2.10	1.24	1.10	0.96	
2. Bangladesh	1.60	1.66	1.48	1.39	
3. Vietnam	1.50	1.52	1.20	1.00	
4. Turkey	0.80	0.88	0.80	0.92	
5. Pakistan	0.62	0.74	0.53	0.72	
6. Indonesia	0.70	0.77	0.74	0.64	
7. India	0.40	0.37	0.60	0.23	

TOP CONSUMERS		(mMT)			
Country	2018/ 19	2017/ 18	2016/ 17	2015/ 16	
1. China	8.60	8.93	8.38	7.85	
2. India	5.22	5.26	5.30	5.39	
3. Pakistan	2.33	2.37	2.24	2.24	
4. Bangladesh	1.61	1.63	1.48	1.37	
5. Turkey	1.50	1.62	1.42	1.46	
6. Vietnam	1.52	1.44	1.18	0.98	
7. Brazil	0.74	0.74	0.70	0.68	

TOP EXPORTERS		(mMT)			
Country	2018/ 19	2017/ 18	2016/ 17	2015/ 16	
1. United States	3.21	3.54	3.25	1.99	
2. Brazil	1.31	0.90	0.61	0.94	
3. India	0.76	1.12	0.99	1.26	
4. Greece	0.30	0.23	0.22	0.21	
5. Benin	0.28	0.23	0.18	0.14	
6. Australia	0.79	0.90	0.81	0.61	
7. Mali	0.29	0.30	0.24	0.22	

TOP PRODUCERS		(mMT)			
Country	2018/ 19	2017/ 18	2016/ 17	2015/ 16	
1. India	5.61	6.31	5.88	5.64	
2. China	6.04	5.99	4.95	4.79	
3. United States	4.00	4.56	3.74	2.81	
4. Brazil	2.83	2.01	1.53	1.29	
5. Pakistan	1.70	1.79	1.68	1.52	
6. Uzbekistan	0.71	0.84	0.81	0.83	
7. Turkey	0.80	0.87	0.70	0.58	

Sources

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