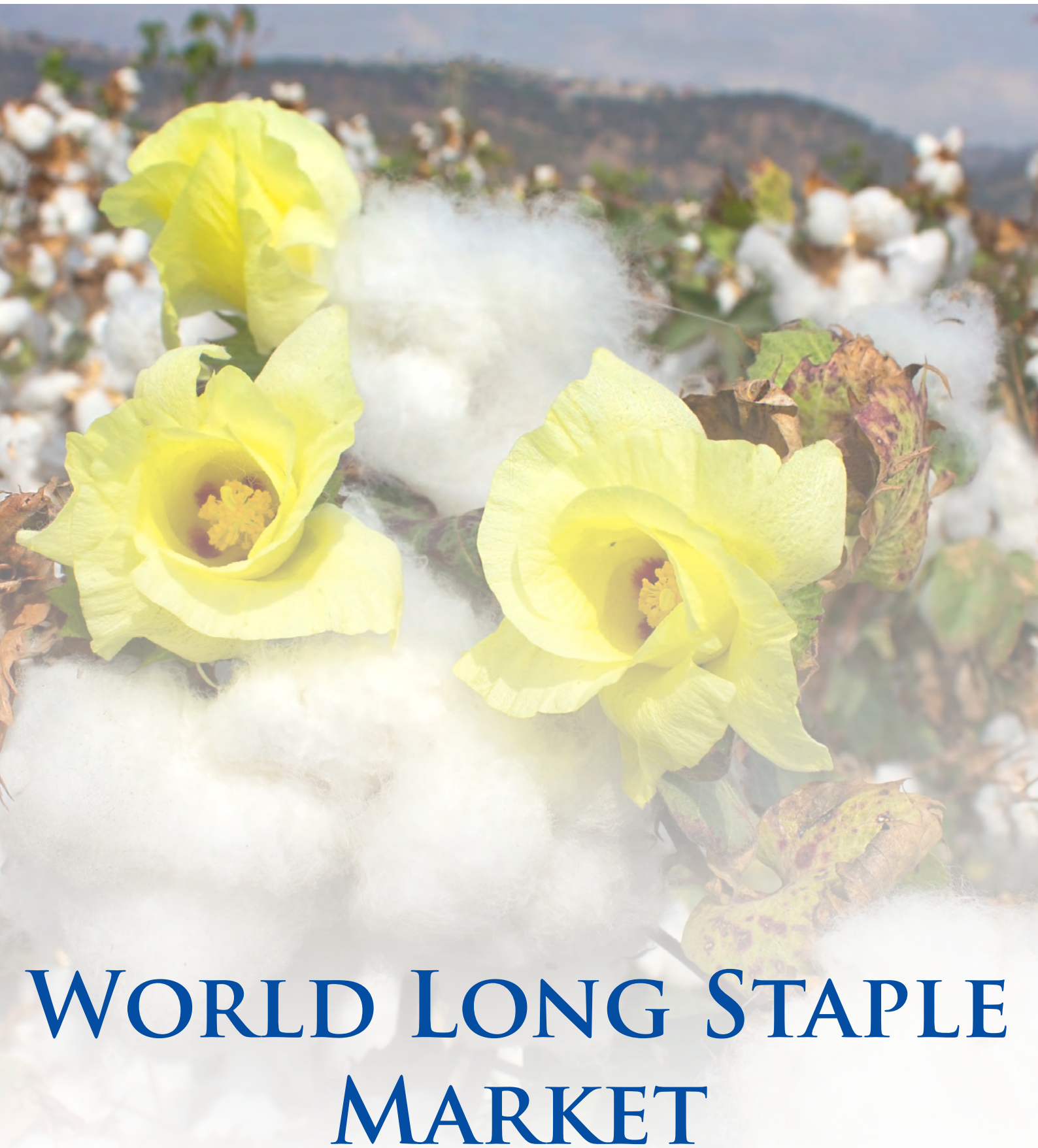
COTTON OUTLOOK
NEWS • DATA • ANALYSIS
August 2024



World Long Staple Market

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Long staple cotton in 2023/24, and the outlook for 2024/25

Antonia Prescott
Deputy Editor
Cotton Outlook

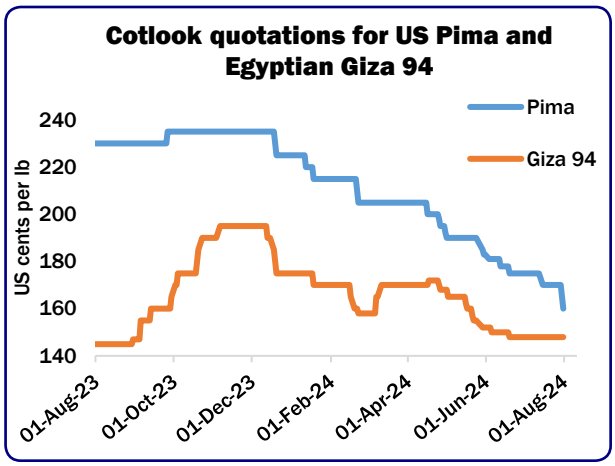
Long staple prices strengthen for the first quarter of the season, then drift lower

The progress of long staple prices in 2023/24 had two distinct phases. By the start of the season, offering rates for the major growths had already recovered substantially from the low point established in the spring of 2023. This was prompted by a revival of demand and (in the case of the US) a reduction of merchants' long positions following the brief introduction of a Pima Competitiveness Payment. Moreover, by August of that year, it was clear that supply in the coming season would be much restricted. Pima planting was reported at just 109,000 acres and harvested acres projected at 106,000, which would have been easily the smallest area in recent memory. Official figures from Egypt also showed a substantial reduction in cotton planting for 2023/24, and market observers were of the view that even those figures (around 105,000 hectares) represented an over-estimate of around 20 percent.

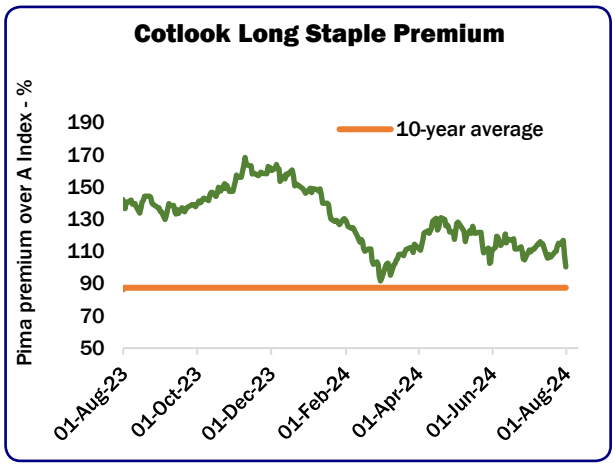
The result was a very supportive environment for Pima prices and an inflationary one for Giza in the first three to four months of the season. Between the start of August and mid-December, Cotton Outlook's Pima quotation was maintained at 230/235 cents per lb, while Giza 94 prices rose by a full 50 cents from 145 to 195 cents per lb in the period to mid-November and remained at that peak for about a month.

After the turn of the year, however, faced with a dwindling of demand, merchants began to reduce their offering rates for the various growths. Since late December, Pima and Giza cotton have both undergone substantial price attrition, albeit with some volatility in the latter case as a result of a currency devaluation and government interventions in the arena of the official and unofficial exchange rates. At the close of the season, Cotton Outlook's quotations were 160 cents per lb, CIF Far East, for US Pima and 148 cents per lb for Giza 94. At its widest, at the start of 2023/24, the differential between the two origins was 85 cents per lb; by the close of the marketing

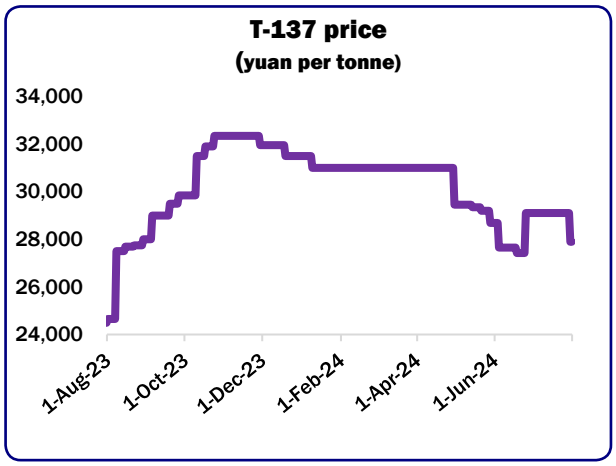
year, Pima's margin had shrunk to just 12 cents.



As regards Pima's relative value to upland cotton, the Cotlook Long Staple Premium rose as high as 168 percent in November 2023 and fell to 92 percent in late February (still some way above the long-term average of 87.6 percent), as upland varieties rose in response to a short squeeze in the futures market. On July 31, the value was 100.4 percent.



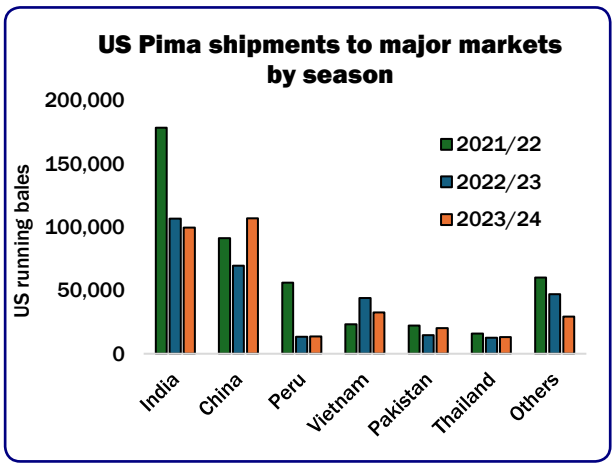
The pattern was somewhat similar for the Chinese long staple benchmark Type 137. Between August and October, the price rose from 24,650 to 32,350 yuan per tonne (around 154 cents per lb to over two dollars). However, the dearth of demand in the downstream market then proceeded to take its toll, and the overall direction for the rest of the season – notwithstanding a short-lived rebound in the last month of the marketing year – was downwards. At the close of the season, the representative value was 27,000 yuan per tonne (around 176.5 cents per lb). However, it is worth noting also that in late July, CNCE launched a series of auctions for 2022/23 supplies of long staple cotton available at substantial discounts. Buyer participation in the sales so far is understood to be relatively low.



Pima trade

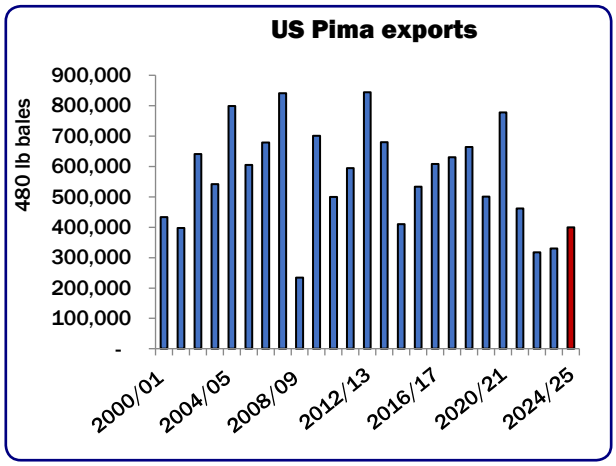
The 2023/24 season opened with Pima stocks of 172,000 bales according to USDA. Over the course of the year, total exports amounted to 330,000 bales, compared to 317,000 in 2022/23. For the first time in recent years, China overtook India as the most important buyer of Pima, taking a third of the total, compared to India's 31 percent. Vietnam accounted for 10 percent, Pakistan for six and Peru and Thailand for a further four percent each.

China's total shipments of Pima were 24 percent higher than in 2022/23 (approximately 110,000 statistical bales vs 71,500), while dispatches to India fell by over six percent (102,800/110,000). Sales to Vietnam declined by a quarter (32,800/44,000) while Pakistan increased its total – from a lower base – by around 38 percent: 22,200 vs 14,600.

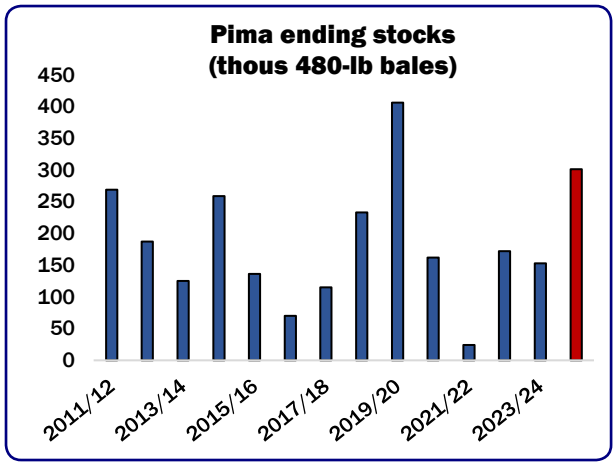


INTRODUCTION

For 2024/25, Washington forecasts total exports at 400,000 bales. If achieved, that would be the highest tally in three years, but still substantially less than the average for the first two decades of the century (prior to Covid).



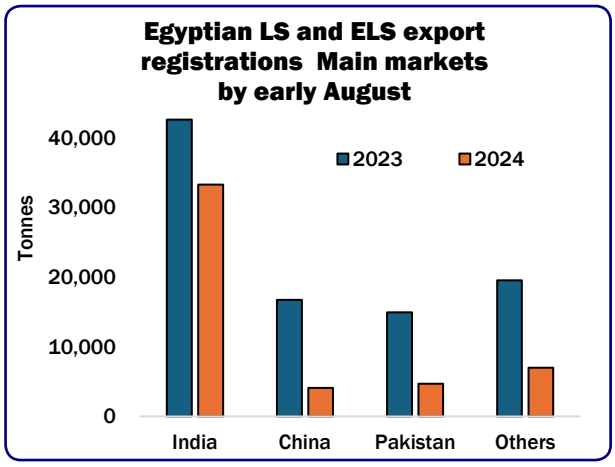
Moreover, despite the forecast increase in exports, the recovery of production that is also envisaged (following very poor weather in the Far West US that affected the 2023/24 growing season) means that ending stocks by July 31, 2025 are set to be the largest in recent years – again, setting aside the pandemic season of 2019/20.



In November 2023, the Egyptian government imposed an export cap in the amount of 40,000 tonnes from the 2023/24 crop (later increased to 45,000). However, the lower availability and restrictions on supply have been matched by much slower demand. In Egypt, the cotton season runs

from September to August, so total LS and ELS export registrations over the first 50 weeks of the year (discounting for these purposes commitments for shorter staple Giza 95 cotton) amount to slightly more than 49,000 tonnes, just over half the quantity purchased in the same period last year. Export commitments (all varieties) from the 2023/24 crop amounted to around 83 percent of the quantity permitted.

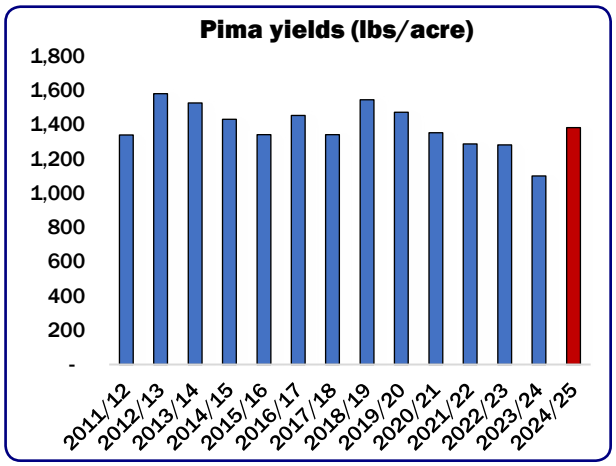
Of the major markets, India has maintained its purchasing level the best, supported perhaps by the government's cancellation of an 11-percent tax on long staple cotton imports in February. Total registrations to that country were around 33,300 tonnes, a reduction of 22 percent from last year. China and Pakistan's purchasing has been minimal this season – amounting to less than 5,000 tonnes in each case.



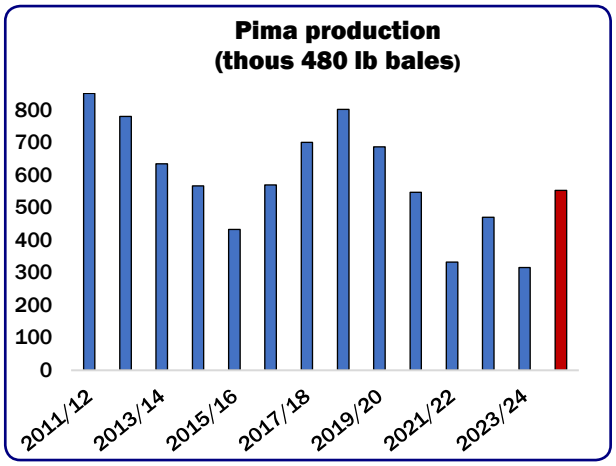
Outlook for 2024/25: recovering production and slow demand set bearish tone for the sector

In 2023/24, Pima production was greatly hampered by the extraordinary rainfall that delayed or prevented planting in large parts of the San Joaquin Valley and resulted in a higher than normal incidence of low grades. Thanks to much more benign conditions this spring, output now appears set to rebound, reflecting higher area and yield assessments.

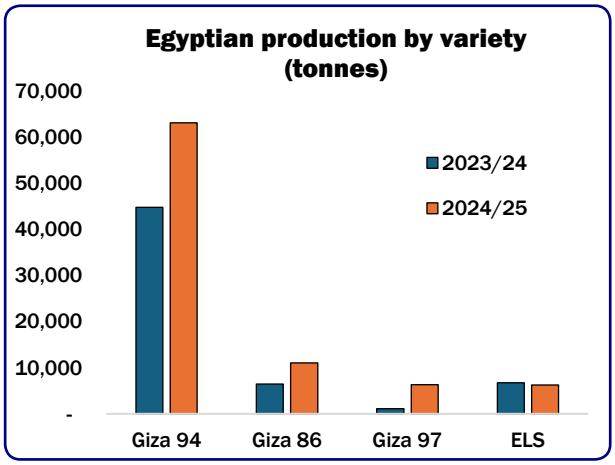
USDA's August forecast shows 199,000 planted acres and four percent abandonment. A yield figure of 1,383 lbs per acre (around 1,550 kilos per hectare) represents a rise of 26 percent in respect of last year. The resulting



projection of output (553,000 bales) would be the largest Pima crop in five years.



Meanwhile, despite the poor demand encountered for Giza varieties this season, Egyptian farmers have been encouraged in their cotton enterprises by a government-mandated floor price for seed cotton, confirmed in July at E£12,000 per kantar for long staple varieties, including Giza 94. Final area figures for LS/ELS (again, omitting Giza 95 and 98) are in the region of 270,000 feddan (approximately 115,000 ha), which are expected to produce around 87,000 tonnes



of Extra Giza and Super Giza lint, compared to around 60,000 in 2023/24.

A similar turnaround in fortune is expected in China. Last year's output of less than 30,000 tonnes of long staple cotton was the lowest for many years. While domestic LS prices may have shown a declining trend in 2023/24, the overall level has been higher than the year before (and the premium in respect of upland cotton considerable). Meanwhile, production costs have fallen as a result of increased mechanisation in the sector, and government support has been mobilised in the form of a land optimisation programme in southern Xinjiang, resulting in a larger planted area for LS varieties this year. The result is an expected output of around 50,000 to 60,000 tonnes in 2024/25.

Last year's Israeli production was slightly less than had been envisaged – the final figure was around 13,000 tonnes. Early estimates for the 2024/25 crop place output at 9,250 tonnes.

Overall, then, following a steep fall in 2023/24, global LS/ELS production looks set to recover by as much as 40 percent

in the current marketing year, if the final results in China fall at the top end of the estimated range. For now, our forecast of total production is just short of 366,000 tonnes, compared to a revised total of 266,450 for 2023/24.

World LS Output (tonnes)	2022/23	2023/24	2024/25
Egypt	108,300	59,500	87,000
United States	102,300	69,000	120,000
India	75,000	75,000	75,000
China	85,000	28,000	50,000
Israel	16,000	13,000	9,250
Turkmenistan	15,000	13,000	13,000
Uzbekistan	4,000	2,000	2,000
Peru	4,000	4,000	4,000
Tajikistan	1,000	1,000	1,000
Spain	1,500	450	1,700
Greece	1,000	1,500	3,000
Total	**413,100**	**266,450**	**365,950**

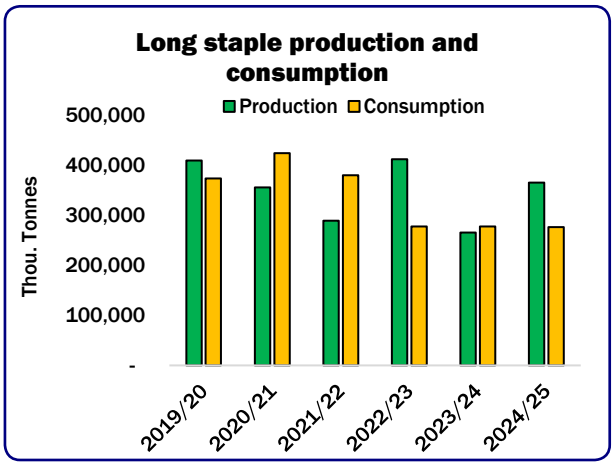
Turning to consumption, as in the upland market, last year's early expectations of a recovery in demand had to be adjusted in light of the stagnation that actually materialised instead. While in the wider sector, those hopes that the long-awaited recovery may at last be at hand have been refreshed at the start of the 2024/25 season, prospects in the long staple arena are still relatively dull. The biggest contributor to this sluggish outlook is China, where consumption of long staples may decline further to around 50,000 tonnes (commensurate with estimates of domestic production, which could have serious implications for imports of Pima). Otherwise, steady demand is expected from India (where LS and ELS use has been most resilient in recent years), Southeast Asia, Latin America and CIS countries. A slight increase in consumption might be expected in Egypt, Pakistan and Bangladesh, but not enough to overtake the shortfall envisaged in China.

One additional factor that has the potential to affect both supply and consumption patterns this season is the guaranteed floor price for 2024/25 crop seed cotton announced by the Egyptian government in February and confirmed at the end of July. As our contributor from DMT explains in eloquent terms, the high level at which the floor price has been set equates to a lint price some way above current offering rates.

World LS Consumption (tonnes)	2022/23	2023/24	2024/25
India	138,000	130,000	130,000
China	110,000	60,000	50,000
Egypt	15,000	17,000	20,000
Pakistan	22,000	12,000	15,000
South East Asia	18,000	17,000	17,000
CIS	15,000	16,000	16,000
Latin America	10,000	12,000	12,000
Europe (inc. Turkey)	10,000	6,000	6,000
United States	1,800	2,175	2,175
Bangladesh	4,000	2,000	5,000
Others	1,500	4,000	4,000
Total	**345,300**	**278,175**	**277,175**

The impact on the market in the event that merchants choose not to participate in seed cotton auctions (perhaps requiring the government to acquire and then store the cotton for some unspecified period of time) could be quite disruptive but is difficult to predict with much clarity.

For now, therefore, we are basing our assumptions about supply and demand on a prima facie assessment of availability from the 2024/25 crops. In view of the larger crops in the US and Egypt and little change to the overall pace of consumption, at this juncture we envisage a season in which global stocks will rise quite substantially, following a modest draw-down in 2023/24, and perhaps some greater pressure on global LS prices as a result.



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NOW OR NEVER for Egyptian cotton

Dr. Mahmoud El Sayed
Chairman
Delta Misr for Trade and General Import/Export (DMT EGYPT)

It is clear to see that the 2023/24 season has been one of the most difficult in recent years for Egyptian cotton. In this article, we will outline some of the reasons for this.

1. The government imposed an export quota which limited the volumes allocated to all merchants.
2. Foreign currency exchange rates: the value of the Egyptian pound crashed during the first half of the marketing year to reach about E£75.00 to the US dollar, which encouraged merchants to buy seed cotton at exceptionally high prices. However, the government subsequently enacted a policy that allowed the currency to strengthen from March onwards, towards a level of E£47.00 to the dollar.
3. The very high cost of carry, particularly as a result of interest rates, which were raised to over 30 percent as the State Bank of Egypt attempted to slow down inflation.
4. Very slow demand from Pakistan and Bangladesh (see the accompanying table).

Comparison of total shipped in tonnes

Country	22/23 crop	23/24 crop
India	41,641	26,101
Pakistan	14,346	2,942
China	15,951	2,197
Vietnam	4,586	1,296
Banglades	3,675	88
Other	8,879	763
Total	89,077	33,387

5. An overestimate of likely consumption in the domestic market, following large-scale government investment in the sector (see the balance sheet below).

Added to these factors are the new planting figures for 2024/25 and the guaranteed minimum price for seed cotton, which lead us to the conclusion that the government needs to take stock. The guaranteed prices have been set at a level that is not realistic if all parties in the supply chain (farmers, merchants, spinners, etc.) are going to be able to participate in trade this season. This is the main reason we say that it is “NOW OR NEVER” for Egyptian cotton.

Domestic production is expected to be significantly higher than last year, as is the

case for other ELS supplies (Pima and other varieties). Hence, official action is needed now as no merchant is willing to buy cotton at such levels. The government needs to give a clear indication as to how they plan to support farmers without interfering with market functions, so that prices settle at a fair value.

The supply of ELS cotton will be abundant this year: the Egyptian crop alone is expected to reach around 150,000 tonnes. If we look carefully at the historical data for consumption of Egyptian cotton, in 2022/23 – when there was a massive devaluation of the local currency – we see that the shipped quantity hit 90,000 tonnes while prices were at their lowest levels for a decade. Given the increase in output this year, and with domestic consumption running at around 20,000/25,000 tonnes, we need a very clear

strategy if we are to sell the rest of the crop (perhaps around 125,000 to 130,000 tonnes) to the international market, bearing in mind that Pima production is set to increase as well. Moreover, demand is still slow due to increasing fears of a recession in the US economy as well as the EU. The scope to increase offering rates for lint is thus limited.

If the seed cotton minimum prices announced by the Egyptian government are actually applied, then lint prices will have to rise to somewhere around 190 cents/lb, which would be very difficult for the market to absorb at the moment, unless the local currency undergoes a further devaluation.

In view of the above, we strongly recommend that the government act immediately, as harvesting will begin in the second half of August, and then the market will start to panic.

The Egyptian government should take a decision NOW on how they are going to act: in particular, how they will manage to finance such a large crop in the event that traders do not participate in the auctions. Are they prepared to buy the whole crop and to keep it for years ahead?

Also, consumers of Egyptian cotton need to act NOW to formulate their plans if the announced prices are implemented.

Why "NOW OR NEVER"? Because if the situation remains as foggy as it is now, then it will be almost impossible to sell such a big crop in such a very slow market.

Variety	Beginning stock season 2023/2024	Crop season 2023/2024 (tonnes) Estimated	Total supply season 2023/2024	Distributed			Total distributed	Remaining in 04/08/2024	Shipments season 2023/24 til 03/08/2024	Shipments Free zone season 2023/24 til 03/08/2024
				Distribution to local mills season 2023/2024 from 1/09/2023 until 04/08/2024	Total export commitments season 2023/2024 until 03/08/2024	Total export commitments Free zone season 2023/2024 until 03/08/2024				
G45	5.90	14.90	20.80	20.10			20.10	0.70		
G87	2.80	4.66	7.46	6.76			6.76	0.70		
G93	3.47	14.18	17.65		13.00		13.00	4.65	13.00	
G96	273.13	4,396.28	4,669.41	580.26	1,475.50		2,055.76	2,613.65	1,171.10	
G92	409.72	2,379.39	2,789.11	1,158.81	622.00	211.00	1,991.81	797.30	524.50	178.00
Total extra cottons	695.02	6,809.41	7,504.43	1,765.93	2,110.50	211.00	4,087.43	3,417.00	1,708.60	178.00
G97	122.10	1,282.64	1,404.74	514.25	831.50	1.70	1,347.45	57.29	859.10	1.70
G94	16,020.96	44,821.00	60,842.30	8,320.02	41,052.25	609.50	49,981.77	10,860.53	38,615.95	609.50
G86	1,554.97	6,514.11	8,069.08	3,838.70	3,063.69	310.70	7,213.09	855.99	2,901.70	166.50
Total super cottons	17,698.03	52,617.75	70,316.12	12,672.97	44,947.44	921.90	58,542.31	11,773.81	42,376.75	777.70
Giza 95	101.97	8,903.63	9,005.60	651.00	4,871.50	35.00	5,557.74	3,447.86	2,722.30	35.00
Giza 98	2.90	32.26	35.16					35.16		
Total Giza cottons	104.87	8,935.89	9,040.76	651.00	4,871.50	35.00	5,557.74	3,483.02	2,722.30	35.00
Others	0.37	12.21	12.58	10.68			60.68	1.90		
Total Giza cottons	18,498.29	68,375.26	86,873.89	15,100.58	51,929.44	1,167.90	68,248.16	18,675.73	46,807.65	990.70
ET		1,000	1,000		365		365	635	322	
Grand total	18,498.29	69,375.26	87,873.89	15,100.58	52,294.44	1,167.90	68,613.16	19,310.73	47,129.65	990.70

Source: CATGO

The journey of the Egyptian Cotton Hub: from local roots to global heights

An interview with ***Dr Ahmed AbdelGawad****, CEO & Managing Director, ECH*
Conducted by ***Mr Mohamed Darwish****, Cotton Outlook Agent in Egypt*

Mohamed Darwish: **The Egyptian Cotton Hub has been in existence for three years now – what are its major achievements in that time?**

Dr Ahmed AbdelGawad: Recently, ECH celebrated its third birthday, marking a progressive success on various fronts. ECH has successfully supplied both local and international markets with an extensive range of textile products, including yarns, fabrics, home textiles, hotel linens and ready-made garments. On the retail side, we have inaugurated two distinct brands: "Nit", which represents premium Egyptian cotton products, and "Mehalla", a value-oriented home textiles chain catering to budget-conscious customers.

We have made significant strides in expanding our business lines within the public textiles sector, particularly by focusing on the hospitality industry with a special focus on hotels. We are proud to partner with renowned hotel brands such as the Marriott Group, Ritz-Carlton, Steigenberger and Waldorf Astoria, providing a diverse selection of hotel linens that enhance the guest experience, both in Egypt and globally.

In the yarn sector, we have made successful inroads into the highly competitive markets of India and Pakistan with our fine count yarns made from Egyptian cotton, produced at our state of the art mill operated by the Misr for Spinning & Weaving Company in El-Mahalla El-Kubra. We are now looking to expand our fine yarn offerings to Italy, Germany, Turkey and other European markets in addition to the United States.

In our Direct-to-Consumer (DTC) business, we have enhanced our presence across retail, modern trade, and e-commerce channels. The Nit brand has outlets in two

mall locations – District Five Mall and Open Air Mall – strategically situated to offer our customers premium and trendy home textiles and homewear products, predominantly made from long staple Egyptian cotton. Meanwhile, the Mehalla brand has established 17 points of sale within key modern trade outlets such as Carrefour, Raneen and Omar Effendi. Soon, we will be launching our franchise model for the Mehalla brand, aimed at the local market to give small and medium retail investors a brand they can offer to customers in their areas.

As for our e-commerce expansion, Nit products are accessible through our website, www.nit-home.com, and Amazon Egypt, while the Mehalla brand can be found on noon.com, carrefouregypt.com and raneen.com, ensuring we reach geographical areas not covered by our physical stores. We are also planning to expand the reach of our e-commerce channels throughout the region, in order to serve customers in GCC (Gulf Cooperation Council) countries before the end of 2024.

MD: **What are your plans from a marketing perspective?**

AAG: At ECH, we believe in science. We have conducted well thought-out market research studies to identify the potential customers for each product. We have even drilled down to build a tailored plan for each market depending on its unique characteristics. We have taken into consideration many factors, including (but not limited to) trade volumes, population, growth rate, spending patterns and the political situation.

Moreover, ECH has implemented a new marketing strategy focused on cultivating a strong corporate identity, ensuring our branding remains unique and consistent at all local and international events. We actively participate in key international exhibitions such as Heimtextil in Germany and the Istanbul Yarns Fair in Turkey, as well as local exhibitions including Destination Africa and HACE Expo.

Digitally, ECH utilises various marketing channels, including our corporate website, www.ech-eg.com, and social media platforms such as LinkedIn and Facebook. Our brands also maintain a robust presence on Instagram, Facebook, TikTok, and Pinterest.

Looking ahead, we are poised to launch a comprehensive media campaign to promote a national "Mega Project" conducted by the textiles industry, highlighting our new production capabilities across local and international TV channels, as well as through digital platforms and public relations activities.

MD: **Is the long-term plan for Egypt to consume all the long staple cotton it produces (especially after the development project is completed)?**

AAG:The strategic objective of ECH is to reestablish long-staple Egyptian cotton on the global trading map, positioning it as a formidable competitor to the Pima varieties (and Supima brand) developed in the United States. While a smaller portion of our fine count yarn production will cater to the local market, the majority will be destined for export.

At the end of 2024, the inauguration of the world's largest textiles factory by Misr for Spinning & Weaving Company in El-Mahalla El-Kubra will mark a significant milestone. This facility will be fully vertically integrated, including spinning, weaving and manufacturing processes, enabling us to triple our capacity to export finished products. These products are characterised by their high added-value and offer a substantial return on investment.

During 2025, the Mega Project will be completed, enabling us to run the entire textile supply chain at a much higher capacity – four times what we have today. We are working at full tilt and our efforts are focused in various directions – from material planning to marketing activities – so that we will be ready for this historical event.

MD: **Considering the slowdown in the global economy, what is ECH's sales and marketing plan (Business-To-Business and Direct to Customer)? What can you do to meet the challenge?**

AAG: To mitigate the challenges posed by a global economic slowdown, ECH's sales and

marketing plan is focused on adaptable, cost-effective, and customer-centric bases.

For instance, our Business-To-Business (B2B) plan will concentrate on:

- Strengthening relationships: focusing on existing clients to ensure retention. Regular check-ins and personalised communication with our clients and prospective customers.
- Flexible offerings: adapting our offers to meet the needs of customers, such as allowing smaller MOQs (minimum order quantities), providing trial versions of products and offering different payment facilities.
- Proximity leverage: taking advantage of Egypt's geographical location and the rising rates for global freight to deliver our product range at lower costs for targeted markets in Europe and the Far East.
- Account-based marketing (ABM): targeting high-value traders and buyers with personalised campaigns that address their specific challenges and needs.
- Content marketing: creating leadership content that addresses industry trends and challenges, positioning ECH as an expert in the field.
- Sponsorship: hosting or sponsoring events that gather industry experts and creating content to be shared in-person and digitally to international clients.

Our DTC (Direct to Customer) sales and marketing plan is built on:

1. Customer engagement

- Omnichannel approach: ensuring a seamless customer experience across all platforms (website, social media and retail channels) to cater to diverse consumer preferences.
- Personalised communications: utilising data analytics to personalise marketing messages and product recommendations via AI tools linked to e-commerce channels.

2. Values-driven marketing

- Promoting affordability: highlighting affordable pricing or value-for-money propositions in marketing campaigns for the Mehalla brand, which resonate well during economic downturns.
- Sustainability initiatives: for the premium Nit brand, we emphasise the sustainability efforts that align with consumer values in this high-end sector.

3. Loyalty programmes

- Incentivising repeat purchases: using loyalty programs that reward repeat customers with discounts, early access to new products and exclusive offers.
- Referral programmes: encouraging satisfied customers to refer our products to others, potentially offering incentives for both the referrer and the new customer.

4. Responsive supply chain management

- Inventory management: ensuring robust supply chain strategies to maintain product availability without overstocking or allowing older stocks to accumulate.
- Consumer feedback: listening to the opinions of consumers on our products and services in order to adapt quickly to changing preferences and demands.
- By implementing these strategies, ECH can navigate the challenges of a global economic slowdown while maintaining growth and customer satisfaction in both the B2B and DTC segments.

MD: **What are ECH's vision and plan for sustainability in the sector?**

AAG: Since the establishment of ECH, sustainability has been a cornerstone of our strategy and operations. We actively participated in the COP27 Climate Change event in Sharm El Sheikh, where we outlined a comprehensive plan to reduce our carbon

footprint and minimise the use of polluting chemicals in our production lines.

Our commitment to sustainability is further exemplified by the Holding Company's investment in new machinery from leading European brands such as Reiter, Savio and Itema, which consume approximately 30 percent less energy compared to our previous machines.

In addition, we have obtained sustainability certifications for both our production facilities and our products, including OEKO-Tex certification, ensuring that our practices meet high environmental standards.

This summer, our Direct-to-Consumer product development team launched our first eco-friendly collection. This innovative line features products made without dyes, utilising 60 percent less water and 40 percent less energy. We are also dedicated to reusing and recycling production waste and second-grade stocks, transforming them into products for consumers as part of the same eco-friendly collection. This initiative is being developed in collaboration with graduates from the Applied Arts Faculty, reinforcing our commitment to environmental protection and sustainable practices.

Reviving the legacy: addressing challenges in the Egyptian cotton and yarn market

Eng. Nabil El-Santaricy
Executive Director, ALKAN Mohamed Nosseir for Trading and Industry
Cotton Consultant, ALKAN Textile Co. (ALMATEX)
Former Chairman, Alexandria Cotton Exporters' Association

Cotton Outlook: **Mr El-Santaricy, thank you so much for agreeing to share your thoughts on the Egyptian cotton industry with our readers. We know that the sector faces many challenges at present. Could you please elaborate on these and then talk about how, in your view, it might be possible to overcome them?**

Nabil El-Santaricy: To answer this question, we must first look at cotton's history, and as a man who has spent over 60 years of his life in cotton, I believe I have the ability to do so. I have held various significant roles throughout my extensive career in spinning and textiles, which I began as a government employee in 1964 and later transitioned to the private sector.

In 2003, I joined the ALKAN Group of companies as Executive Director of ALKAN Mohamed-Nosseir for Trade and Industry Company and as a consultant at ALKAN Textile Company. During the period from 2016 to 2018, I had the honour of chairing the board of the Alexandria Cotton Exporters' Association (ALCOTEXA) and served as a member of the board of the Egyptian Export Council for Textiles, Apparel and Home Textiles. Additionally, from 2019 to 2022, I represented local traders on the board of the Egyptian Internal Trade Committee. Over the years, I have witnessed both positive and negative developments in the sector, ranging from cotton cultivation to marketing, sorting and spinning.

My decision to join the ALKAN Group marked a new beginning for me and gave me a wealth of experience as well. The ALKAN Holding Company management team continually seeks sustainability throughout its operations, acknowledging the significant

impact that it has on the economy. For instance, from our inception we have been involved in preserving pure Egyptian cotton strains through a project conducted in collaboration with the Cotton Research Institute for cultivating and propagating cotton, and we have implemented sustainability projects in cotton and yarn, such as the Better Cotton programme.

These years of experience in various roles within the cotton industry have given me a unique perspective. Moreover, to properly address the issues facing Egypt's cotton and yarn markets and come up with the necessary solutions, we must first pinpoint the problems the industry is currently facing and their historical causes.

During the golden age of Egyptian cotton, acreage and production reached a peak, with consumption and exports hitting new heights. This period lasted from 1940, through the period following World War II, the July 23 Revolution of 1952 and all the way through the 1980s. Cotton cultivation attracted substantial attention following the revolution, which resulted in its development, the introduction of new varieties, and an industrial renaissance, particularly in cotton agriculture and the textile industry. Cotton spinning factories were developed in various governorates of Upper and Middle Egypt to accommodate the workforce and capitalise on the superior quality of Egyptian cotton. This situation persisted until 1990, as shown in the below table.

	Area	Production	Exports	Consumption
Average season		1000 Quintal		
1940/1950	1,218,082	6.39	5.48	1.01
1951/1960	1,786,414	8.53	6.60	1.95
1961/1970	1,697,952	9.28	5.87	3.27
1970/1980	1,377,587	9.16	3.98	4.90
1981/1990	1,035,430	7.76	2.77	5.39
1991/2000	744,025	5.84	1.28	4.26
2001/2010	544,979	4.18	1.95	2.21
2011/2020	288,899	1.81	1.22	669.00
2021/2022	237,503	1.51	1.25	264.00
2022/2023	337,634	2.38	2	488.00
2023/2024	254,875	1.71		

The decline in cultivated cotton acreage commenced in the 1991/92 season and persisted through the first decade of the 2000s, when the average area measured 545,000 feddans.

In 1994, legislation was passed to liberalise the cotton trade, permitting private sector involvement in trading, marketing, ginning, as well as exports as part of the Cotton Exporters Association (ALCOTEXA). Private enterprises were also allowed to participate in yarn and textile manufacturing.

The cultivated area continued to decline, reaching 131,000 feddans in the 2016/17 season, producing 710,000 quintals of raw cotton. This was the lowest area and production in the modern era of Egyptian cotton. It was also accompanied by a noticeable deterioration in the quality of the lint produced, which significantly affected the reputation of Egyptian cotton. Consequently, all entities involved in the cotton industry, including research, cultivation, ginning and manufacturing, took action, and the government developed a plan to restore Egyptian cotton to its former prominence in the global market.

The plan had to address the various factors and circumstances in Egypt that had led to this decline in quantity and quality. It began with research institutes developing new varieties and modern strains, increasing the budget of the Cotton Research Institute, and implementing a programme to upgrade neglected ginneries and improve yields.

In the current phase – from 2013/14 to 2023/24 – there has been a significant decrease in consumption of Egyptian cotton by local mills. By contrast, there has been a clear increase in imported cotton from accredited sources, as well as imported yarn, especially from India and Turkey, and cotton clothing.

Among the most significant reasons for the decreases in cultivation and local consumption of Egyptian cotton are:

- The increasing costs associated with cotton cultivation due to inflation, especially in the prices for fertiliser and pesticides, and high labour wages for cotton harvesting, which accounts for around 60 percent of the total of production cost.
- The fragmentation of agricultural land ownership into smaller plots, hindering the use of agricultural machinery in various farming operations.
- The disappearance of the three-crop rotation system and agricultural collectives because of liberalisation within the sector, which caused farmers to move away from cotton production due to the high costs involved. (Before the Agricultural Liberalization Law in the 1960s, the Ministry of Agriculture had a system for determining which areas should be planted with cotton, which promoted the growth of the crop in large collective areas. However, once this law was repealed, each farmer was free to choose the crop he wanted to plant, which led to the elimination of the three-crop rotation cycle system and the farmers' gradual avoidance of cotton cultivation because of its high cost.)
- Water shortages for traditional agriculture in certain regions.
- Climate change, which has affected the planting seasons of various agricultural crops, resulting in reduced productivity for different cotton varieties.
- Competition from alternative crops that offer better financial returns.
- Competition faced by long and extra-long staple cotton, which Egypt grows, from medium staple and synthetic fibres, as the latter two are cost-effective.
- Significant increases in the prices of Egyptian cotton to the spinning sector, especially after the liberalisation of the exchange rate.
- Despite the increase in the value of foreign currencies, cotton imports have risen, particularly from Greece, where the European Union subsidises cotton cultivation and production, resulting in lower prices compared to Egyptian short-staple cotton.
- Liquidity shortages among local spinning companies due to the practice of selling yarn on credit and several months' delays in payment.
- Increased interest rates.

Despite the challenges listed above, we do not wish to propose financial support for the spinning and textile industry due to the government's commitment to reduce cash subsidies. Therefore, we suggest the following:

- The prompt adoption and promotion of simple mechanisation for picking operations to reduce harvesting costs.
- Developing new varieties suitable for mechanised agriculture will also help reduce the cost of cultivating and harvesting cotton.
- Significant efforts to restore the roller ginning mills that helped preserve Egyptian cotton during its golden period and continue to do so now.
- Providing greater consistency in the process of seed cotton and lint marketing and avoiding drastic price fluctuations, which would enable farmers to develop clear cultivation plans.
- Ensuring a fair price for cotton lint to allow farmers to cover production costs and achieve profitability compared to other crops.
- Initiating farmer training on climate-smart agriculture, raising awareness about the impact of climate change in their environment, and what might be expected in the future.
- Developing cotton varieties resilient to climate change.
- Preserving current varieties by developing pure and stable strains

to ensure their sustainability would allow Egyptian cotton users to develop a long-term production strategy.

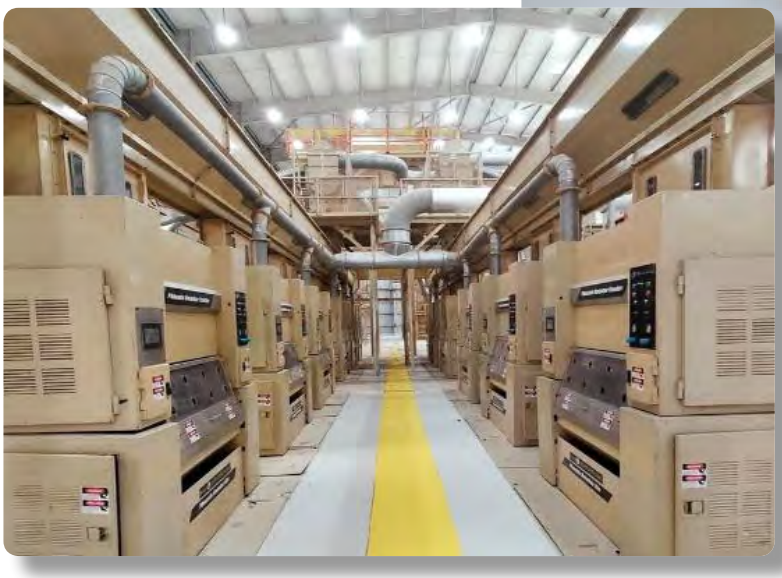
- Taking the measures necessary to revise cotton trade regulations, and to preserve seed propagation systems in order to produce pure/new strains and prevent deterioration in quality.
- Providing low-interest banking facilities for fine-count spinning mills using 100-percent Egyptian cotton.
- Establishing an over-arching body to oversee all aspects of cotton production, trade, ginning and manufacturing, to assist in coordinating and standardising policies and guidelines across different operations under the cotton umbrella.
- Establishing a cotton price stabilisation fund that will be financed by fees collected from the cotton import, export, and spinning activities carried out by the sector participants. The fund must be authorised by law and supported initially by government assistance. Its primary purpose would be to protect against excessive rises or falls in prices and reduce the effects of inflation or recession on the sector.

The cotton system in Egypt

Ratiba Mahmoud Abou Shall
Executive Managing Director
Misr for Cotton Trading & Ginning Co.

On June 21, 2021, nine companies specialising in the trade, ginning, pressing and steaming of cotton were merged to create a strong entity. The result was the establishment of the Egypt Cotton Trading and Ginning Company, which now manages 3,000 employees and operates 14 ginning mills across the country.

Four new ginning mills have been developed, in Fayoum, Zagazig, Kafr El-Zayat, and Kafr El-Dawar. These mills feature high production capacities and adhere to specific spinning specifications, while also reducing the amount of impurities in the cotton produced.



The Company has moved from the stage of losses to profits. Before the merger, the Company's losses were about E£55 million, whereas in the first and second year, the profits were as follows:

- E£82 million for the first year 2021/2022
- E£150 million for the second year 2022/2023

Cotton trading system

Additionally, the Company manages the seed cotton trading system on behalf of the government. For a third year, cotton is being traded according to the terms of Government Decree No. 2129 of 2018, which aims to develop the distribution system for seed cotton. This will be achieved through the establishment of republic-

wide gathering centres operating under the supervision of the competent authorities in the Ministry of Agriculture and the Cotton Arbitration & Testing General Organization (Catgo).

Misr for Cotton Trading & Ginning Co., affiliated to the Ministry of Public Business Sector, manages this system which assures the highest returns for farmers via public auctions and credibility for companies.

The most important features of this system are that it enables farmers to obtain the highest price, and also manages the supply of cotton, which is delivered to gathering centres as part of the auction process.

The system is supervised by Catgo, which oversees classification and control operations at all gathering centres, ensuring that the packaging bags are made of jute and woven with a cotton swab to prevent contamination.

Gathering centres spread throughout the republic cover all the cotton-growing areas in order to facilitate the transportation of the crop from farmers to the centres.

This system has achieved a great success. Over the three years, the quantity of seed cotton traded was:

- 2021/22 – 1.19 million kantars with a value of ££6.25 billion.
- 2022/23 – 1.70 million kantars/E£9.22 billion.
- 2023/24 – 1.09 million kantars/E£13.52 billion.

The seed cotton arriving at the gathering centres is then tracked as it goes to the gin, where it is prepared for processing. Catgo manages the system to protect against fraud or irregularities that may occur in the classification or unloading processes.

Suppliers provide data, which are recorded on the packing bags, and these are used to identify any mixing or contamination. In the case of fraud, the company that bought the cotton can then be compensated according to the official record held by the gin, and the value of the materials added to the cotton can be deducted from the fee paid.

The Company (the system manager) holds auctions and announces the quantity of cotton and the classification related to lots put up for auction. The opening prices are announced based on an equation received from Catgo or the floor price announced by the government.

When sales are concluded, the Company makes an official record of the auction price and the quantity, and this is signed by the purchasing entity. Finally, the Company collects the money from buyers and makes payments to the farmers in accordance with rules and regulations.

The new Egyptian cotton variety – Giza 98

Professor D. Mohamed Abdel Fattah Abou Elyazied
Head of Cotton Breeding Department
Cotton Research Institute, Egypt

Giza 98 is one of the latest varieties produced by cotton breeders in the Cotton Breeding Research Department of Egypt's Cotton Research Institute, located in the Agricultural Research Centre. It was registered as a commercial variety in 2022 and is characterised by high yields (exceeding ten kantars of seed cotton per feddan), early maturity (140/150 days from planting to harvest), a high ginning outturn of around 42 percent, good heat tolerance and resistance to climate change. These characteristics are important to both farmers and traders, while the high quality of the lint produced and low wastage are of interest to spinners.

Giza 98 belongs to the category of cotton produced in Upper Egypt. It is planted in the governorates of Suhag and Asyut on an area of 700 feddan, which will be expanded next season to other governorates, including Aswan and the New Valley.

This variety demonstrates superior qualities to Giza 95 in terms of yield and ginning outturn, as well as possessing characteristics that suit the requirements of the local industry in Egypt. This should reduce the need to ship upland varieties from overseas and help to protect foreign currency reserves normally used to pay for imported cotton. Giza 98 is also attractive due to its low wastage (not more than 10 percent, compared to typical upland levels of 30/40 percent), which offers a clear economic advantage to spinners.

The expansion of this variety alongside Giza 95 in Upper Egypt will block the calls for the planting of upland cotton in Egypt, as it provides yields and ginning outturn comparable with upland but surpasses it in terms of quality and waste. Thus, Egyptian cotton will be able to maintain its global position via the development of new, superior varieties, new ones replacing the old ones, exceeding them in yield and quality characteristics. Thanks to God and the dedicated Egyptian cotton breeder!

Xinjiang long staple cotton – much to do and a long way to go

A view from the Chinese spinning sector

Cotton Outlook: **How does this year's crop look so far in terms of quality and yield? What is your projection for output?**

The recent performance of Xinjiang long staple cotton in terms of quality and output is as follows:

- **Quality**
  The 2023 data released by the China Fibre Quality Monitoring Centre show that the spinnability of Xinjiang long staple cotton has significantly improved, and the quality has continued to rise, reaching the highest level in five years.
- **Production**
  According to media reports, the planted area of long staple cotton has increased in 2024, and total production is expected to be higher on a yearly basis. Industry expectations are for an output around 50,000/60,000 tonnes of lint in 2024/25.

CO: **What has prompted this rise in production? Are there other factors at play than just price?**

Media reports indicate that the increase can be attributed to:

- **Rising purchase prices**
  The purchase price of long staple cotton in 2023/24 was much higher than that of upland cotton, and the yield per mu income of long staple cotton planting in southern Xinjiang was also significantly higher than upland. As a result, some producing areas suitable for long staple cotton planting are more willing to make the adjustment.
- **Machine picking and promotion**
  The rapid adoption of mechanisation in the long staple sector over the past two years is conducive to reducing management and harvesting costs while increasing farmers' incomes.
- **Policy support**
  In 2023, the three major cotton regions in southern Xinjiang launched a quality improvement action plan, which focuses on optimising the regional layout and variety structure of cotton.

- **Variety improvement**
  The yield of new varieties of long staple cotton in Xinjiang can reach 400/500 kilos per mu (seed cotton), which is almost same as for upland cotton, and will also improve the enthusiasm of cotton farmers for long staple cotton planting.

CO: **How are LS plants faring in Xinjiang this year? Have they been affected by the hot weather, and how are they performing compared to upland varieties?**

Under normal circumstances, high temperatures will have a certain impact on the growth of cotton, especially in the flowering stage. High temperatures will aggravate the evaporation of water from the soil and leaf surfaces, resulting in a decrease in the photosynthetic rate, thus affecting the formation of the plant and ultimately its yield. In particular, when temperatures exceed 38 degrees Celsius, pollen production can be affected, which reduces pollination. High temperatures also increase the risk of bud, flower and boll shedding, and hinder the transportation of nutrients around the plant, resulting in poor boll enrichment and affecting the quality of cotton lint.

Compared to upland cotton, long staple has longer, finer fibres which require a particular growth environment and climate conditions. In general, the growing period of long staple cotton is 10/15 days longer than that of upland cotton, and while the plants require more light and heat, persistently high temperatures may have a greater impact on the growth of long staple cotton. However, the specific effect can be mitigated by a series of factors, such as good soil moisture management, and other best farming practices.

In general, although the high temperatures may have a certain impact on the growth of Xinjiang long staple cotton, we need to wait and see if there will be any significant effect this year. Cotton farmers can also take certain measures to reduce the impact of high temperatures on cotton plants, such as increasing irrigation, timely fertilisation, and strengthening disease and pest control measures.

CO: **How do you judge the health of the sector at present? Has demand from brands for these high-end goods improved lately?**

Many factors need to be considered when judging the health of the long-staple cotton sector, including market supply and demand, price trends, fibre quality and so on. Quotations for Xinjiang long staple cotton are still weak these days: the downward trend has continued, and seems difficult to reverse. From the demand point of view, in the second quarter of 2024, new orders of high-count yarns were significantly lower than expected. At the same time, 'export-oriented traceable' orders are increasing, as is the phenomenon of switching to lower count yarns to attract more interest. Demand for cotton yarn of 60s counts and above is falling continuously, and it is difficult to envisage a recovery or even stability in the market in the short term.

As regards demand from major brands for high-end long staple cotton products, this has shown a growing trend in recent years. With the rise of consumers' preference for quality and comfort, the use of long staple cotton products in high-end home textiles, clothing and other fields has gradually expanded. Some well-known brands are now insisting on producing shirts using Xinjiang long staple cotton and have developed a unique method for creating pure cotton non-iron shirts. In addition, other brands are also using long staple cotton to make high-end bedding so as to improve the quality of the products.

Overall, any assessment of the current health of the long staple cotton market needs to take into account a number of factors. Although there are certain challenges and uncertainties in the market, with the increase of consumer demand for high-end products, the long staple sector still has potential for further development. At the same time, market participants also need to pay close attention to market dynamics and strengthen quality management processes in order to adapt to market changes.

***CO:* How much of LS textiles production is aimed at the domestic market and how much goes for export? Are there any differences in the types of products destined for different markets?**

China is both the world's largest cotton consumer, and the largest cotton producer. As China's most important cotton-producing region, Xinjiang's total cotton output in 2023/24 was 5.112 million tonnes, accounting for more than 90 percent of national total and about 20 percent of the global total output. From this total, the output of long staple cotton was about 30,000 tonnes, all of which were used for the production of high-end textiles destined for the domestic market. China's textile industry is the global leader: with its high-quality products and services, the country has become the most trusted procurement base among global textile and garment importers, and Chinese-made textiles and garments are deeply welcomed by consumers from around the world.

***CO:* What are the main uses of LS cotton at present? Are there any innovations in terms of new applications?**

Xinjiang long-staple cotton is mainly used for spinning high-count yarns, which are generally used to produce high-grade and special fabrics. It is widely utilised in high-end clothing, home textiles, bedding and other products. Long staple cotton fabric has excellent drape effects, a silk-like smoothness and comfort, and has many advantages such as high colour-fastness and fade resistance, durability and wear resistance. It also has good anti-wrinkle and anti-pilling properties, and excellent breathability.

In terms of new applications, some teams are engaged in cutting-edge research for the long staple cotton industry, looking at the possibilities for spinning the world's finest pure cotton yarn, as well as improvements in printing and dyeing technology, aiming to make them more environmentally friendly.

***CO:* Does LS cotton face increased competition from cellulosic fibres? How do you see the future of the sector?**

Long staple cotton is indeed facing increasing competition from other fibres. With the continuous progress of science and technology, and the diversification of consumer demand for textiles, more and more new fibre materials have emerged alongside polyester, Lyocell and so on. These fibres have similar or better properties than long staple cotton in some respects: for instance, strength, elasticity, wear-resistance, wrinkle-resistance, as well as a relatively low price point, so they enjoy a certain competitiveness in the market.

However, long staple cotton still has unique advantages and distinct market appeal, thanks to its long fibre length, fineness, high strength, softness, smoothness, breathability, hygroscopic and other excellent characteristics. Thus, it remains an important natural fibre for producing good quality fabrics and clothing, especially in the high-end textile market for luxury shirts, bedding etc. In addition, with the improvement of people's living standards and the pursuit of better quality goods, the demand for natural fibres including long staple cotton is expected to increase.

The possible future development of the long staple cotton industry may be analysed by considering the following aspects:

- **Market demand**
  With the improvement of people's living standards in China, the demand for high-end textiles and clothing is likely to increase, which will bring opportunities for the long staple cotton industry.
- **Technological innovation**
  Through technological innovation and variety improvements, the output and quality of long staple cotton should rise, reducing production costs and enhancing its market competitiveness.
- **Industrial upgrading**
  The sector should also upgrade and strengthen the integration of the long staple cotton industrial chain, improving the technical performance of textile enterprises and the added value of products, as well promoting the

development of the long staple cotton industry using state of the art, smart and green technologies.

- **Policy support**
  The government could introduce specific policies to support the development of the long staple cotton industry, such as increasing subsidies for long staple cotton cultivation and the target price for long staple cotton, and investing in scientific and technological research and development for the long staple sector.

- **International market**
  Opportunities in the international market should be explored, considering expanding exports of long staple varieties and increasing the share and influence of China's long staple cotton sector in the international market.

Overall, the future development prospects of the long staple cotton industry are still relatively undefined, but the sector needs to face up to the competition and challenges from other fibres. Through measures such as technological innovation, industrial upgrading and policy support, the sustainable development of the long staple cotton industry can be achieved in order to meet market demand, and its industrial competitiveness can be improved.

***CO:* There has been some suggestion in market circles that LS cotton production is in structural decline worldwide. Do you agree with that sentiment, or are you more optimistic about the future?**

The view that long staple cotton production is in a structural downward spiral cannot be generalised.

On one hand, the planting and production of long staple cotton will tend to be affected by certain factors, resulting in fluctuations in output or a downward trend for a certain period of time. For example, factors such as rising planting costs, restrictions on land resources, changes in market demand and competition from other fibre materials may have an impact on the planting scale and yield of long staple cotton.

On the other hand, we need to consider key factors that may contribute to the stability or increase of long staple cotton production. For instance, supportive government policies in the field of agriculture, advances in farming technology, growing demand for high-quality textiles, and the unique position of long staple cotton in the high-end market are likely to provide a positive impetus for the production of long staple cotton.

In all, we cannot simply conclude that the output of long staple cotton is inevitably in a structural decline. To support its future development, we should maintain a cautiously optimistic attitude, and pay close attention to the impact of market dynamics, policy changes and technological innovation on the long staple cotton industry.

Review of the 2023/24 ELS cotton year – a perspective from India

Lalit Mahajan
Senior Vice President - Cotton and Yarn Procurement
Welspun Living Limited

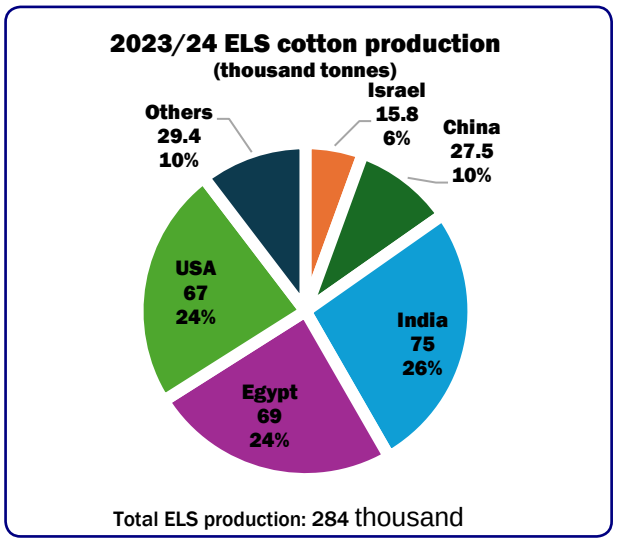
Introduction

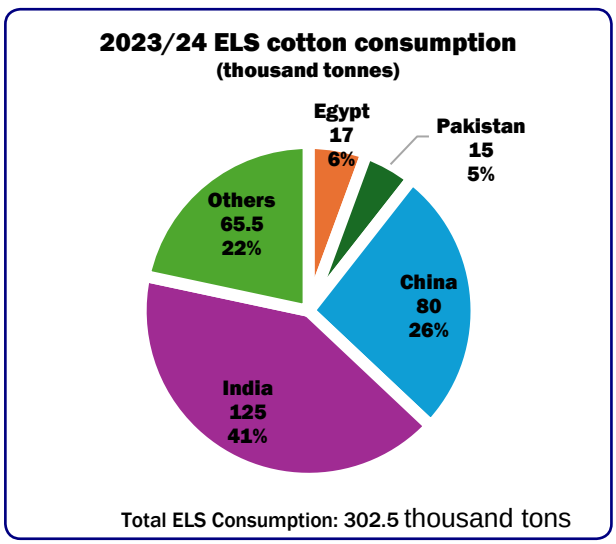
Worldwide, cotton with fibre length of 1-3/8" or longer falls under into the extra-long staple category. This type of cotton is known for its exceptionally long fibres, which contribute to its high quality and durability.

The longer fibres in ELS cotton enhance the softness, strength and durability of the resulting fabric, making it a preferred choice for luxury and high-performance textiles. ELS cotton is produced for a niche segment of the market, commanding a price premium over normal cotton.

In the year 2023-24, world cotton production is estimated at around 24.75 million tonnes whereas production of ELS cotton worldwide is around 278,000 tonnes, which works out to be only 1.1 percent of the global cotton output.

Furthermore, over 84 percent of ELS cotton is produced by only four countries, while India and China together account for around 68 percent of ELS cotton consumption. These are followed by Egypt and Pakistan, which consume approximately six and five percent each.





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Any type of change in these leading ELS cotton-producing countries, whether that be in terms of government policy, foreign exchange fluctuations, or traceability requirements of programmes ensuring the authenticity of cotton credentials, will create a significant impact on prices and overall demand.

Therefore, when finalising plans for ELS cotton procurement, close monitoring of such factors in ELS producing countries is required.

ELS in 2023/24 – a year to remember

Lowest production of US Pima in 36 years

In the year 2023/24, US Pima cotton production is estimated at around 307,000 bales, which is the lowest since the year 1987/88 when USDA's figure was 285,000 bales. In 2021 and 2022, the state of California faced severe drought conditions and water shortages: 2021 was understood to have been the driest year in a century and saw a period of above average wildfires, extreme heat and extended droughts.

Production (in thousand bales of 480 lbs)	
1987-88	285
1990-91	358
2000-01	389
2010-11	504
2015-16	433
2016-17	569
2016-17	700
2017-18	801
2019-20	686
2020-21	547
2021-22	353
2022-23	474
2023-24	307
Source: Supima	

At the time, growers and experts were predicting that returning to normal water levels in California could take many years, but the very next year, Mother Nature took them all by surprise.

In 2023, the San Joaquin Valley (the major US Pima cotton-growing area) received heavy snow, rainfall and cold temperatures. The snowpack in the mountains was 300 percent above normal, and when this melted, it caused massive flooding to the SJV farms in the month of March 2023.

The situation resulted in a delay in sowing of the cotton crop, as well as a massive reduction in area and yield. As a result, the US produced the smallest Pima crop in recent record.

Supima AQRE™ project replaces licensing platform

Taking the next step in traceability, Supima launched a new project partnering with Textile Genesis™ in 2023, replacing the previous licensing programme which required annual renewal. The platform went live in July 2023.

According to Supima, under the new system, the company can bring real-time digital data connectivity to Supima licensees, using block-chain technology that allows transaction-level transparency for products moving through the Supima supply chain. In partnership with forensic science partner Oritain™, Supima will also provide product authentication to consumers.

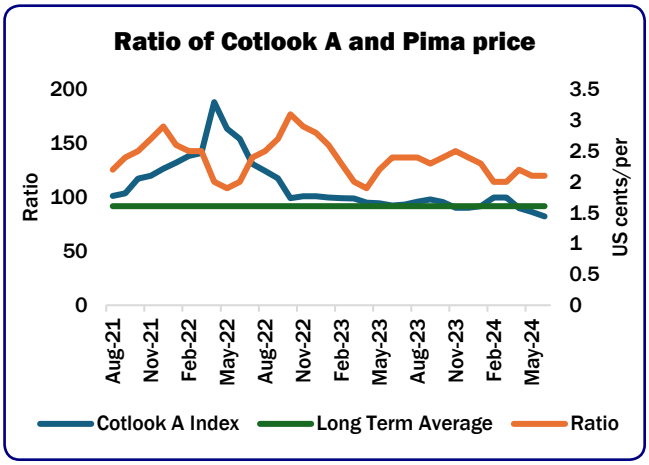
Using the Textile Genesis platform, digital fibre coins can be generated against eligible US Pima inventory. Once created, these coins can flow to customers against transactions registered on the platform. The fee payable by spinners for participation in the programme is US$0.25 per lb or US$0.552 per kilo.

Record lowest demand of US Pima for second year in a row after 2008-09

The US remains the largest exporter of ELS cotton in the world. Nevertheless, in 2022/23 and 2023/24, exports of Pima were the lowest since 2008/09. Various factors have contributed to this shortage of demand, including record prices for ELS cotton, the higher ratio of upland cotton prices to US ELS (above the long-term average of 1:1.85), lower production, and the launch of the new Supima licensing programme, which has made branded Supima cotton more expensive for mill customers.

Exports (in thousands of 480lb bales)	
2008-09	232
2009-10	694
2010-11	495
2011-12	594
2012-13	844
2013-14	680
2014-15	410
2015-16	534
2016-17	614
2017-18	636
2018-19	671
2019-20	506
2020-21	785
2021-22	410
2022-23	337
2023-24	352
Source: Supima	

In particular, demand for Supima branded cotton in the home textiles sector has fallen significantly



over the past two years for all of the reasons mentioned above, although the traceability programme is considered to be the major one.

In addition, the US, which is the one of major consuming market for textiles goods, has been struggling with high inflation and interest rates, which has reduced the proportion of income available for discretional spending among US consumers. Thus, purchases of luxury textiles items have declined.

Reduction in Egyptian cotton production in 2023/24 after recording over 100,000 tonnes of output in 2022/23

Egyptian cotton production in the year 2023/24 dropped by around 43 percent to approximately 68,000 tonnes, against 118,800 tonnes the previous year.

The key reason for this reduction was the smaller area sown to cotton compared to last year: i.e.107,000 hectares against the 140,790 hectares planted in 2022/23 (24 percent lower).

Egypt's agricultural policy is primarily aimed at meeting the rising demand for food at reasonable prices. Therefore, the government has made more land available for crops such as fruits and vegetables, which have a competitive advantage, and has also introduced subsidies. By comparison, crops such as cotton and sugar which require high levels of inputs have received less encouragement at an official level.

Moreover, the lower price realization achieved by farmers at the government-run seed cotton auctions in 2022/23 prompted many to switch to other crops – mainly food grains and vegetables, which are more profitable and enjoy greater support from agriculture policymakers.

Production (in thousands of 480lb bales)	
2011-12	184.30
2012-13	108.25
2013-14	94.05
2014-15	109.85
2015-16	53.60
2016-17	35.50
2017-18	68.85
2018-19	122.05
2019-20	71.35
2020-21	58.00
2021-22	75.65
2022-23	118.80
2023-24	68.28

Source: CATCO

Egyptian government suspends then restricts exports of cotton

The Egyptian government is making efforts to expand and modernise its textile and garment sector, and to replace cotton imports with domestically produced Egyptian lint. They are also trying to expand value-addition activities including processing, spinning, weaving, knitting, textile, and apparel manufacturing.

In line with these aims, in October 2023, ALCOTEXA, the Egyptian cotton export union, suspended export registrations for Egyptian cotton later imposed a ceiling on export sales, limiting them to around 40,000 tonnes for the 2023/24 marketing year. The intention was to ensure an adequate supply of cotton for the domestic textile industry.

The 40,000-tonne allocation was to be distributed as follows:

- 30,000 tonnes to be shared amongst the most active shippers, based on exports in the past five years (around 31 organisations).
- 10,000 tonnes to be shared amongst all other registered shippers (around 69 organizations).

Red Sea crisis forces shippers to opt for alternative routes with higher freight charges.

The Red Sea crisis began during October 2023, when militants in Yemen started attacking ships in one of the world's busiest

maritime trade routes, demanding an end to the war in Gaza. The result was major disruption to global trade, some 12 percent of which passes through the Red Sea.

In order to safeguard shipments in transit, traders began opting for alternative, longer sea routes, increasing costs and transit times to markets in Southeast and Southern Asia.

A major outcome of this event been substantial delays in the arrival of the shipments, as well as long waiting times at trans-shipment ports. Such disruption inevitably affects production schedules and ultimately results in late deliveries of finished products to retailers and brands.

Major currency fluctuations in Egypt results in price instability

For some time, Egypt has been struggling to maintain foreign exchange reserves and battling other economic challenges arising from the Covid pandemic, food security, energy price hikes following Russia's invasion of Ukraine, border conflicts, and the Red Sea attacks, which have reduced traffic and revenue from ships passing through the Suez Canal.

Other developments in the Egyptian economy include currency devaluation and the provision of financial support from the IMF, as well as a major deal with the United Arab Emirates to develop the Ras Al-Hikma peninsula, located to the west of Alexandria, which is expected to attract $150 billion in investment.

When this agreement was announced in late February 2024, the Egyptian currency underwent a significant fluctuation, which impacted the price quotations for Egyptian cotton

	Cotlook A Index	Giza 94	Pima
		US cents per lb	
Aug-23	95.93	140	228.00
Sep-23	97.95	169	230.00
Oct-23	95.55	187	229.00
Nov-23	90.46	192	224.00
Dec-23	90.51	160	215.00
Jan-24	92.15	156	209.00
Feb-24	99.61	156	204.00
Mar-24	99.74	174	200.00
Apr-24	90.14	168	196.00
May-24	86.52	159	184.00
Jun-24	82.85	148	170.00

Source: Cotlook, leading Shipper's Quotations- CIF Indian port

India retains its position as the largest consumer of ELS cotton and net importer of ELS

In the 2023/24 season, India again maintained the title of largest ELS cotton consumer in the world, consuming around 125,000 tonnes of ELS cotton.

Domestic ELS production is understood to be around 75,000 tonnes in the same year. Thus, the country has a net deficit, which it has met by importing the balance of around 50,000 tonnes from other ELS-producing countries, mainly the US and Egypt.

Indian import duty on ELS cotton lifted in February

In reflection of the dependence of the Indian textile industry on foreign growths for its supply of ELS cotton, the Indian government announced an exemption for such varieties (longer than 32.5 mm) from the 11-percent import duty with effect from February 19, 2024. The move had been long called for by industry bodies and was welcomed as a boost to the sector.

India continues to be largest importer of US Pima and Egyptian cotton

Since the year 2019/20, India has been the largest buyer of US Pima. The country sourced around 26,000 tonnes Pima cotton in 2023/24 (representing a third of the global Pima export commitment), against the 43,300 tonnes in 2019/20 (a reduction of around 40 percent over four years).

Egyptian cotton commitments in late May 2024 stood at around 31,000 tonnes, of which 23,000 had been sourced by India, representing a share of around 75 percent.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Outlook for 2024/25

- As per the USDA's Acreage report released in June 2024, the area sown under Pima cotton in 2024/25 is estimated to be 182,000 acres against the 147,000 acres in the year 2023/24, i.e. an increase of around 24 percent as compared to last year.
- Egyptian cotton sowing is also much better for the year 2024/25 (22 percent higher than last year, according to local sources). By July 23, a total of around 130,583 hectares had been sown under the Egyptian cotton against the 107,000 hectares recorded for last year.
- The Indian government has increased the Minimum Support Price for seed cotton by ₹500 per quintal for the 2024/25 Indian marketing year (beginning October 1), including for DCH-32. Sowing of DCH-32 is likely to be more or less same as last year, or even slightly greater. Yields may also improve since the weather conditions in Madhya Pradesh were unfavourable in 2023.
- The Confederation of Indian Textile Industry (CITI) works as an interface between the government of India and the textiles sector. The Cotton Development and Research Association (CDRA) was established in 1970 with aim of strengthening the cotton value chain by involving various stakeholders.
- In 2018, CITI and CDRA set up an initiative for cotton collaboration in the state of Madhya Pradesh, beginning operations in the Ratlam district followed by Jhabua, Dhar district (M.P) and Banswara of Rajasthan. The project promotes the production of ELS cotton and trains farmers in the specific methodologies required.
- Farmers have been educated about BT/ Non-BT hybrids for sowing, common pest and disease management, clean harvesting and many other topics. This has helped ELS cotton producers in the project area to obtain better yields, produce better quality cotton, improve soil and water conservation and minimise pesticide usage.

Hope for end of the long dark tunnel!

Late in the 2023/24 marketing season, ELS prices began softening, which may result in a revival in demand for products made from ELS cotton, which has dropped significantly since last two years.

Consumption of LS/ELS cotton in Pakistan

Muhammad Sohail Tabba
CEO, Gadoon Textile Mills, Lucky Knits
Director, Yunus Textile Mills, Lucky Textile Mills

In general, long staple and extra-long staple cotton consumption in Pakistan has been on a downward curve over the last few years. Although Pakistan has consistently remained the third largest consumer of LS/ELS fibres, behind only China and India, its share of consumption of these fibres has been shrinking compared to these two large markets. Pakistan has always had limited access to the luxury apparel export market that uses a large proportion of the world's LS/ELS cotton, and while the country takes a small share of the high-end home textiles market, most of the fine count yarns made from LS/ELS cotton in Pakistan are for local consumption.

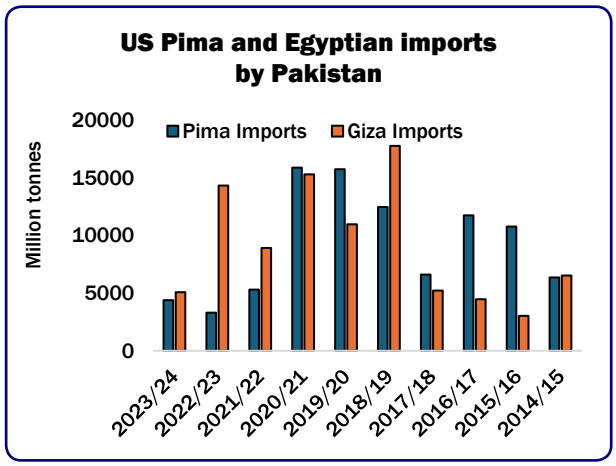
Pakistan textile mills have always had a sizeable market for fine count yarns in the local manufacturing sector which produces summer fabrics (known as lawn) for women's and men's traditional clothing. In contrast to the main LS/ELS consuming markets of China and India, Pakistan has never produced any of its own long staple cotton varieties and mills have always had to reply on imported growths to meet their requirements.

The core demand for LS/ELS cotton in Pakistan has witnessed a significant change in the past few years, specifically related to blending patterns. Historically, Pakistan LS/ELS demand and consumption were erratic, with mills tending to accumulate stocks when prices fell below typical levels and limiting purchases when they moved higher. However, more recently, a lot of mills that primarily cater to the local market for 60 to 80 count yarns have stopped consuming LS/ELS cotton altogether, particularly the main growths of US Pima and Egyptian Giza. Highly volatile pricing for long staple cotton along with the difficulties mills face commanding a premium in the local market for products made from these premium fibres has led spinners to develop alternative consumption patterns. With the latest composite ring spindle spinning machines, mills are able to produce 60 to 80 count yarns by blending longer staple upland cotton (sourced mainly from Australia and US) with cellulosic fibres (e.g. Tencel) and still produce the desired product specifications. Thus, some of these textile mills that are leading suppliers of fine count yarns and fabrics to local brands or have

their own retail presence, and that had been consuming ELS growths for a long time, are now able to make the same products from longer staple upland cotton.

The long staple sector in Pakistan has also faced headwinds from growing fine count yarn imports mainly from China. The competitive pricing offered by Chinese textile companies for fine count yarns has led some of the leading Pakistan weavers to regularly import sizeable volumes. This rise in fine count yarn imports over recent years has come at the cost of a reduction in consumption of LS/ELS growths locally, while the recent sharp rise in operating costs for mills in Pakistan due to very high energy and finance costs has made imported yarn prices even more competitive. Please see the accompanying chart showing US Pima and Egyptian Giza imports by Pakistan mills over the last decade. Imports from these two origins in the 2023/24 season were the lowest for 10 years, although this was partly due to much higher Egyptian Giza imports during 2022/23 as some of the bigger textile mills accumulated stocks due to the fact that Giza prices fell a long-term low.

The cyclical resurgence of the Australian cotton crop over the last few seasons has also helped Pakistan mills to divert some of their



LS/ELS cotton consumption to longer staple upland fibre, as described above. Moreover, the leading Tencel manufacturer, Lenzing, is making bespoke efforts to cater to Pakistan mills' consumption patterns.

After a multi-year low for imports of LS/ELS fibres during the 2023/24 season, we may see a slight pick-up in demand in 2024/25 as the potential increase in availability of US Pima and Egyptian Giza could put pressure on prices. Mills' inventory levels are estimated to be on the low side due to very low recent imports. However, in the medium to long term, we expect the volatility in pricing of ELS growths to persist, and thus we foresee that demand for these fibres in Pakistan will continue to see-saw.

Resilience in Israeli extra-long staple cotton production

Jonathan Spenser
The Israel Cotton Production and Marketing Board Ltd

Amidst the global challenges of climate change and market fluctuations, Israeli extra-long staple cotton production stands at the forefront of agricultural resilience, pioneering sustainable practices that ensure its viability and quality in a rapidly changing world.

Resilience in agricultural production is becoming increasingly crucial in an age marked by climate change, yield stagnation, price volatility and other socio-economic factors.

Resilience in cotton production refers to the ability of cotton farming systems to withstand, recover from, and adapt to various challenges and changes that affect crop health and productivity. These challenges can include climatic conditions such as droughts and floods, economic factors like price volatility and trade restrictions, biological threats such as pests and diseases, and even technological or policy shifts.

Adaptation to climate change

Climate change introduces significant variability and unpredictability into weather patterns, affecting temperature, precipitation and the incidence of extreme weather events, such as droughts and floods. These changes can disrupt traditional growing seasons, alter water availability and increase the prevalence of pests and diseases, all of which impact yields. Resilient agricultural systems are better equipped to adapt to these changes, ensuring crop survival and productivity despite climatic stresses.

Mitigating yield stagnation

Many agricultural regions are experiencing yield plateaus for major crops due to the limitations of existing crop varieties and traditional farming methods. Innovative resilient practices, such as the development and adoption of new crop varieties that are more tolerant to stress conditions, improved soil health management and advanced farming technologies including precision irrigation and plant growth control can all help overcome these yield barriers and enhance productivity.

Economic stability

Climate change, along with yield stagnation, threatens this economic foundation by reducing the reliability of

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crop outputs. Resilient agricultural practices ensure a more stable income for farmers by mitigating the impacts of environmental and economic volatility, thus supporting broader economic stability.

Food and fibre security

As the global population continues to grow, so does the demand for food and fibre. Resilience in agricultural production is critical to meeting this increasing demand, especially in the face of challenges that could otherwise lead to significant product shortages. Ensuring the ability to quickly recover from adverse conditions means that agriculture can continue to supply adequate food and fibre to populations worldwide.

Resource management

Climate change exacerbates resource scarcity issues, particularly with regard to water and arable land. Resilient farming practices promote the efficient use of these resources, minimising waste and enhancing sustainability. Techniques such as precision agriculture, water-efficient irrigation systems and soil conservation practices optimise the use of available resources while reducing environmental impact.

Biodiversity conservation

Introducing and maintaining resilience in agricultural systems can also support biodiversity, which is crucial for ecosystem health and the natural control of pests and diseases. Diverse agricultural landscapes can provide habitats for a wide range of species, contributing to ecological balance.

In recent years, the cotton industry in Israel has been moving towards sustainable practices with minimal environmental impacts. Sustainable production methodology, regenerative agriculture, agroecology, organic farming and similar practices focus on integrating environmental concerns with agricultural systems to ensure resilience as well as food and fibre security while preserving natural resources and biodiversity.

The Israel Cotton Board (ICB) has taken significant strides in becoming a supplier of environmentally friendly cotton. By adopting sound environmental practices and collaborating with various stakeholders, ICB is making continuous efforts to save and safeguard water and irrigation sources. These efforts include water recycling, improving soil conservation, preventing soil loss, maintaining drainage systems and restoring endangered species around cotton fields.

The cotton sector in Israel has embraced modern production systems rooted in traditional principles like minimum tillage, no-till, and crop rotation that are necessary for maintaining high yields. These practices are part of a continuous improvement process that helps make the connection between cotton production, regenerative agriculture and overall resilience in production clearer and stronger.

The resilience principles adopted by ICB aim to restore and enhance ecosystem health, increase biodiversity and improve soil fertility. They include crop rotation, reducing tillage, using cover crops, smart pest control based on thresholds, pesticide usage windows and environmentally sound control methods, actively promoting biodiversity, conserving water through precision irrigation and improved soil structures, and considering carbon sequestration to mitigate climate change.

Building resilience in agricultural production is not merely a strategy for adaptation; it's an essential approach for ensuring sustainability, economic stability, and food and fibre security in an increasingly unpredictable global environment.

ICB, a benchmarked Strategic Partner of BC, produces quality cotton based on its own standard,[1] which is increasingly becoming an environmentally friendly benchmark by incorporating these principles of regenerative and sustainable agriculture. The sector independently implements this standard to produce quality cotton fully recognized by BC as "Better Cotton". This alone is expected to drive increasing yield and quality in a sustainable manner to new heights.

ICB is fully committed to its sustainability principles and believes they will provide Israeli cotton with an edge in the marketplace. As the entire crop conforms to BC "Better Cotton" standards, ICB continues its tradition of supplying the highest quality cottons, which now enjoy the additional advantage of being produced under rigorous and recognised standards to complement its excellent reputation for world-class quality and service.

Israeli cotton now not only conforms to these attributes of quality and service, but also delivers a brand based on best management practices in the realms of sustainable agriculture, decent work and farm management.

The sector continues to promote sustainable principles of ESG that conform to the highest standards.

Quality Parameters 2023-2024

Variety	Length (HVI)	Micronaire	Strength (HVI)
Israel Pima ELS	39-42 mm	3.7-4.5	43+ GPT
Israel Acalpi LS	36-40 mm	3.4- 4.2	36+ GPT

All Israeli cotton is 100-percent machine picked by John Deere Baling Pickers and is fully physically traceable from the bale back to the grower using **recently introduced isotope technology**.

Israeli cotton is 100-percent roller ginned, 100-percent HVI and stickiness tested, and is now 100-percent sustainably produced and accredited as BC "Better Cotton".

Israeli cotton is – as it has been for the last 15 years – exclusively and successfully marketed by ***Otto Stadtlander GmbH, Germany*** and consumed by the best and leading spinning mills worldwide, in countries including China, India and the Far East, as well as Turkey and Europe.

[1] https://bettercotton.org/israel-cotton-production-and-marketing-board-becomes-bci-strategic-partner/

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