



# Cotton Outlook

## Long Staple

### UPDATE

November 2013

CLICK HERE  
To Join our  
mailing  
list

### Rising prices

Our annual Long Staple Special Feature, published in early August, included a supply and demand analysis that offered a fairly bullish signal to the international market for fine count cottons. It was already clear at that juncture that a combination of dwindling uncommitted supplies from the 2012/13 crops, coupled with the likelihood of a significant reduction of output during 2013/14, augured a tightening of supply. These bullish fundamentals, and in particular the emergence of a strong import demand from China, have seen the anticipated rise in prices become a reality over the past three months or so.

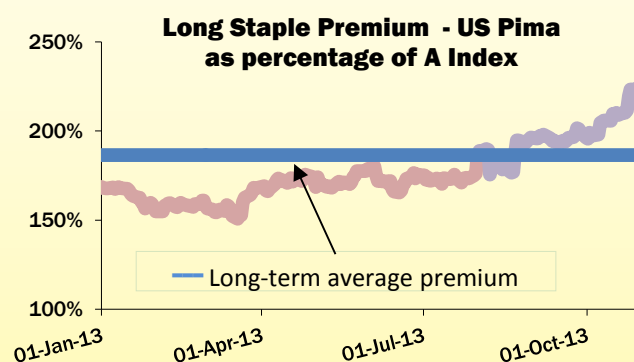
Since our Special Feature was published, adjustments to our production forecast have resulted in a net reduction of a few thousand tonnes, owing to a revised, lower estimate for the United States and to lower expectations in Egypt. Although Egyptian classing data show Giza 86 has moved more rapidly from farmers' hands of late, observers report that yields are inconsistent between governorates, with some of the largest failing to reach the expected levels. Only a small proportion of the much-reduced Giza 88 crop had been classed at the time of writing. Meanwhile, the figure shown in the accompanying table for long staple production in Xinjiang, our sources say, is at the top end of the current range of expectations.

Today's bullish mood is tempered in the minds of some observers by doubts with regard to the durability of recent levels of consumption, at the firm prices now prevailing. Our current estimates suggest production overall is close to 100,000 tonnes short of the amount mills might be expected to use, but one would foresee this deficit being reduced as mills turn to an alternative, which may eventually test the prevailing price trend.

The conjunction of a rising long staple market and weakening upland prices has placed the premium asked for the former significantly above its historical

World LS Output (tonnes)			
	2012/13	2013/14	2013/14 v 2012/13
<b>United States</b>	169,782	136,296	-20%
<b>Egypt</b>	96,732	84,000	-13%
<b>of which:</b>			
<b>ELS</b>	9,554	4,000	-58%
<b>Giza 86</b>	87,178	80,000	-8%
<b>Sudan</b>	15,000	3,000	-80%
<b>Uzbekistan</b>	2,000	2,000	Unch
<b>Tajikistan</b>	1,000	900	-10%
<b>Turkmenistan</b>	18,000	20,000	11%
<b>India</b>	65,000	70,000	8%
<b>Peru</b>	8,000	8,000	Unch
<b>China</b>	60,000	40,000	-33%
<b>Israel</b>	14,500	11,000	-24%
<b>Spain</b>	2,000	2,500	25%
<b>Australia</b>	600	600	Unch
<b>Total</b>	<b>452,614</b>	<b>378,296</b>	<b>-16%</b>

average level, whereas the reverse had been true for much of this year. At the time of writing, our American Pima quotation (CFR Far East) reflects a premium of 129 percent in respect of upland values, as measured by the Cotlook A Index. This compares with a long-term, average premium of around 86 percent. That portion of long staple consumption that can be diverted to cottons at the upper end of the upland staple range may thus prove vulnerable, especially if the recent slide of upland prices should continue.



Published by :  
Cotlook Limited,  
Outlook House,  
458 New Chester Road,  
Rock Ferry, Birkenhead,  
Merseyside,  
CH42 2AE,  
U.K.

Tel : 44 (151) 644 6400  
Fax : 44 (151) 644 8550  
E-Mail : editor@cotlook.com  
www.cotlook.com

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

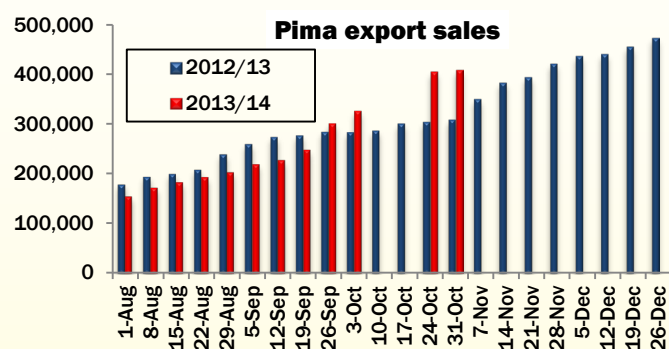


These uncertainties notwithstanding, the progress of export business has thus far in 2013/14 been robust. Some end uses of course can accommodate no alternative to genuine barbadense cottons. In addition, Supima's branding programme self-evidently requires that Pima cotton be used. However, the impression gained from various markets suggests that, where demand is more elastic, mill buyers are examining their options.

## United States

Having lagged during the early part of the 2013/14 season, Pima export sales had forged ahead of the pace of last season by late September. USDA's consolidated report of Pima export activity during the three weeks ended October 24 disclosed a net increase in sales for shipment during 2013/14 of a further 78,600 running bales. By the end of the month, the cumulative total for the season was 408,900 bales, some 32 percent ahead of the corresponding date in 2012/13.

In contrast to the challenging conditions recorded this season elsewhere in the US cotton belt, the weather in



the Far West has been conducive to the rapid advance of the harvest, and bodes well for the average quality of the crop. Through November 7, USDA reported 168,226 samples classed in the Visalia Classing office in California: 78.3 percent gave Micronaire readings from 37 to 42, 79.3 percent were 48 and longer staple, while colour grades were primarily 01 and 02.

On November 8, USDA released an unchanged production estimate from that made in September, at 626,000 bales (480 lbs), the lowest since 2010/11. USDA reported 201,000 acres planted to Pima this year and harvested acres of 199,000 with an average yield estimated at 1,510 pounds per harvested acre.

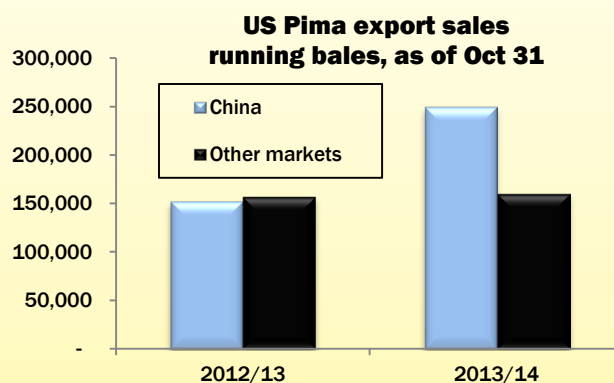
Total US Pima supplies were forecast at 826,000 bales but strong exports are expected to reduce ending stocks to the lowest level since the 2010/11 season.

Despite the favourable results anticipated from the 2013/14 season, both in the field and in the marketplace, tentative forecasts for 2014/15 do not rule out the possibility of a further decline in Pima plantings, as the perennial

USDA Pima supply and demand			
US Pima		2012/13	2013/14
Planted acres	(1,000 acres)	238	201
Harvested acres	"	237	199
Yield/harvested acre	lbs per acre	1,581	1,510
Beginning stocks	(1,000 bales)	269	195
Production	"	780	626
Imports	"	4	5
Total supply	"	1,053	826
Domestic mill use	"	22	20
Exports	"	836	750
Total disappearance	"	858	770
Ending stocks	"	195	56

scarcity and cost of water for irrigation may prompt farmers to prioritise other crops. Winter snowfall in the Sierra Nevada will be a key factor.

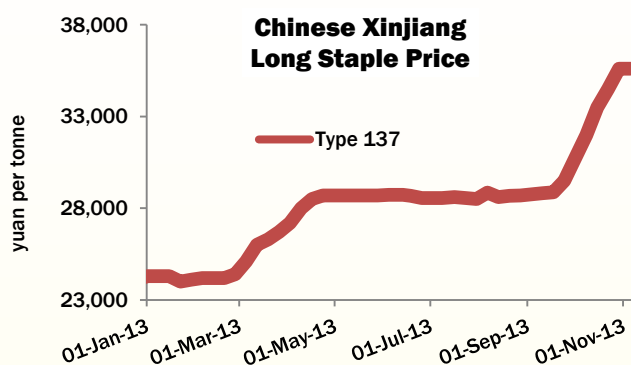
As already intimated, China has emerged as the most vigorous source of demand in recent weeks, accounting for 61 percent of US Pima commitments, compared with 50 percent a year earlier. Of the other two major consumers of US Pima, the total for India showed an advance of 14 percent, whereas sales to Pakistan were 30 percent lower. China, India and Pakistan together accounted for 81 percent of Pima exports during the first three months of the 2013/14 season.





## China

The surge in import demand from China has coincided with a strong and sustained increase in domestic long staple prices. Asking prices for Xinjiang Type 137 have advanced from around 28,800 yuan per tonne at the beginning of August, to 35,600 yuan (about 265.00 US cents per lb) by early November. The bullish trend has been fuelled by the rising prices paid for seed cotton, which have risen to a level considered to have undermined the profitability of ginners, in face of a decline in output to a figure probably less than the 40,000 tonnes currently indicated in our world production forecast.

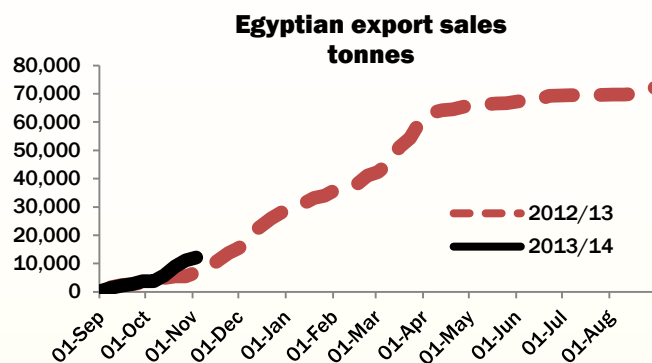


## Egypt

Egyptian export sales have also made good progress since the start of the new season in September.

The single largest destination thus far in the campaign has been India, which accounted for 35 percent of the quantity committed by November 9. Variety-wise, Giza 86 has accounted for 85 percent of registered sales, the balance consisting principally of Giza 88, the supply of which will this season be very limited.

Requests have been made to government for marketing subsidies, both on the domestic and export sides, but there appears little optimism, in the current economic circumstances facing the country, that these will be easily forthcoming.



As in China, a strong rise in local seed cotton prices has occurred, which has prompted expressions of concern from the ginning sector. The break-even price level for Giza 86 is said currently to be equivalent to around 175.00 cents, without taking account of bank interest and insurance, and yet cotton is being financed at around this level.

## Global cotton information when you need it fast!

- From Liverpool to Mumbai, Memphis to Beijing, Alexandria to São Paulo, we have the cotton world covered
- Prices, daily news as it unfolds, daily market summaries and the weekly Cotton Outlook all available electronically
- Source of the Cotlook A Index, the barometer of world cotton prices

For up-to-date authoritative English-language news about China and the rest of the cotton world from well informed sources, visit:

[www.cotlook.com](http://www.cotlook.com)