

Cotton Market Scenario
2012 - 2013



By: Fibre2fashion.com

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Introduction:

Cotton is one of the principal crops of the country and plays a vital role in the economy of the country, by providing substantial employment and making significant contributions to export earnings. It is the sector which is known as one of the key cash crops in the economy. In the last two centuries, cotton has played a major role, which dominates fibre in cloth production, due to its amalgamation, comfort and durability properties. According to 'USDA Economic Research Service', global cotton production is predicted to decrease in the year 2012 – 2013.

Production and Supply:

China is noted as the largest cotton producers of the world, followed by India and United States of America, where 22% of world cotton production and 17% of Total Supply comes from India. According to USDA, marketing year of 2011 – 2012, India which is well-known as the second largest cotton producers had recorded 34.25 million bales. Whereas the forecast of cotton production is likely to go down by 2 million bales to 32.3 million bales, as the area is expected to decline by 10%, but in the year 2012 – 2013, domestic consumption is estimated to increase to 26 million bales from 25.3 million bales in 2011 – 2012.

According to National Cotton Council of America, countries like United States, Australia, Brazil, India and Uzbekistan are the major leading cotton exporters, whereas countries like People's Republic of China, Bangladesh, Turkey, Pakistan and Indonesia are the major leading cotton imports in 2012.

Top 10 Cotton Producers — 2011 480 – pound bales	
Country	Million bales
People's Republic of China	33.00
India	27.00
United States	18.00
Pakistan	10.30
Brazil	9.30
Uzbekistan	4.60
Australia	4.20
Turkey	2.80
Turkmenistan	1.60
Greece	1.40

Source: cotton.org

World Cotton Production in 2012*

(000) 480 – pound bales

Country	Beginning Stocks	Production	Imports	Total Supply	Mill Use	Exports	Ending Stocks	SUR**
Peoples Republic of China	27,328	30,500	13,500	71,328	39,500	25	31,803	80.46%
India	7,274	24,000	1,000	32,274	21,500	3,700	7,824	31.05%
United States	3,300	17,000	5	20,305	3,400	12,100	4,800	30.97%
Pakistan	3,157	9,700	2,200	15,057	11,250	500	3,282	27.93%
Brazil	7,996	7,000	50	15,046	4,250	4,000	6,946	84.19%
Australia	3,360	4,250	0	7,610	40	4,500	3,220	70.93%
Republic of Uzbekistan	1,498	4,100	0	5,598	1,450	2,750	1,398	33.29%
Turkey	1,752	2,750	3,000	7,502	5,600	200	1,782	30.72%
Turkmenistan	949	1,500	0	2,449	650	800	999	68.90%
Greece	481	1,200	10	1,691	110	1,100	431	35.62%
Mexico	753	1,025	1,200	2,978	1,750	400	803	37.35%
Argentina	937	950	60	1,947	775	300	863	80.28%
Mali	317	800	0	1,117	25	750	342	44.13%
Burkina	236	750	0	986	4	750	232	30.77%
Syria	194	750	0	944	750	25	169	21.81%
Republic of Tajikistan	147	550	0	697	35	500	162	30.28%
Zimbabwe	231	475	0	706	90	400	201	41.02%
Cote d'Ivoire	223	475	0	698	50	350	298	74.50%
Egypt	289	450	525	1,264	600	360	294	30.63%
Benin	153	400	0	553	10	375	168	43.64%
United Republic of Tanzania	350	400	0	750	150	225	375	100.00%
Republic of Kazakhstan	271	400	5	676	75	350	226	53.18%
Iran	185	350	300	835	600	40	195	30.47%
Nigeria	114	325	50	489	300	75	114	30.40%
Cameroon	100	325	0	425	40	265	120	39.34%
Zambia	245	300	0	545	80	225	240	78.69%
Burma	51	270	0	321	200	65	56	21.13%
Spain	75	250	15	340	45	225	70	25.93%
Peru	329	200	275	804	470	10	324	67.50%
Sudan	96	190	0	286	8	175	103	56.28%
Malawi	81	160	0	241	5	150	86	55.48%

Source: USDA-Foreign Agriculture Service

*Expected

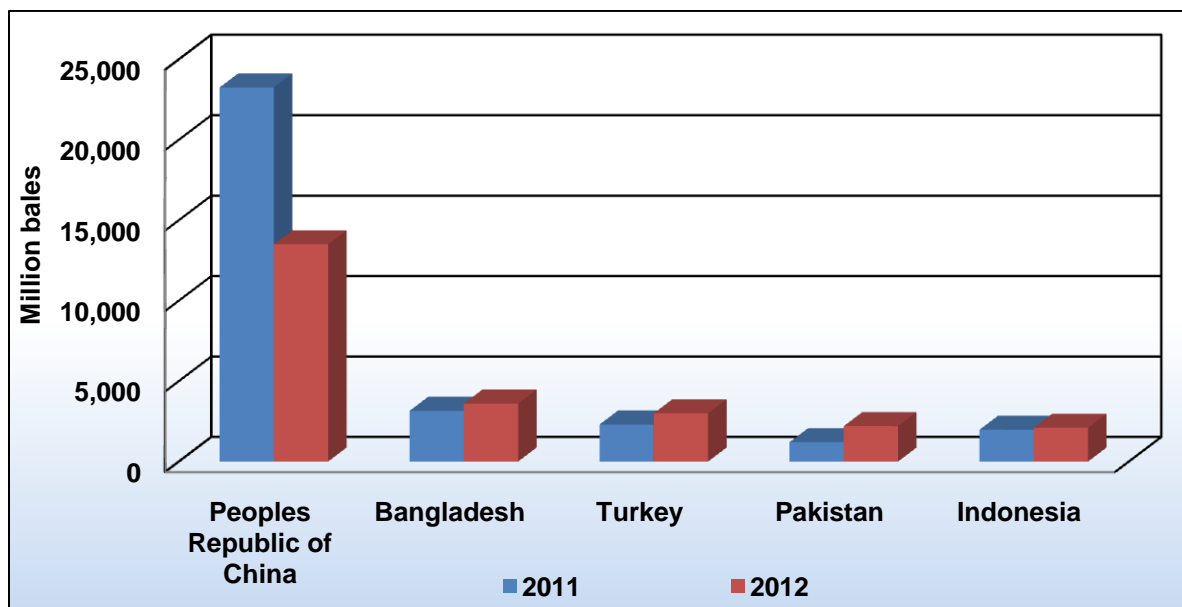
**Stocks-to-Use Ratio: Calculated by dividing Ending Stocks by Total Use (Use & Exports)

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Top 5 Importer of Cotton Production		
Country	Import	
	2011	2012*
Peoples Republic of China	23,250	13,500
Bangladesh	3,150	3,600
Turkey	2,300	3,000
Pakistan	1,200	2,200
Indonesia	1,975	2,100

Source: USDA
*Expected

Top 5 Importer of Cotton Production



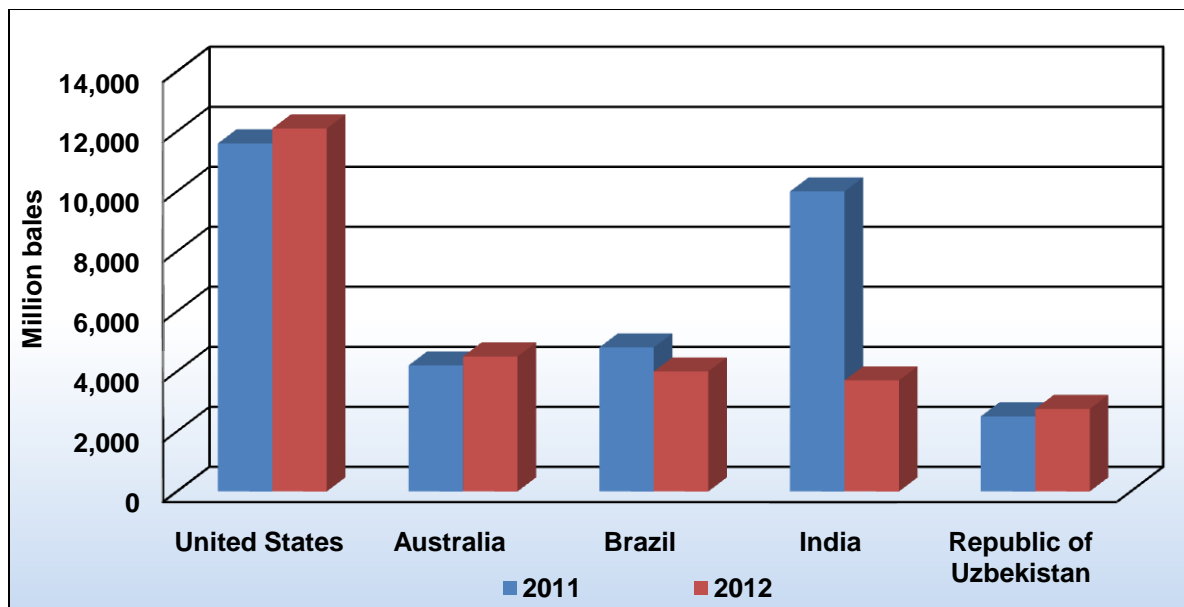
Source: USDA

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Top 5 Exporter of Cotton Production		
Country	Export	
	2011	2012*
United States	11,600	12,100
Australia	4,200	4,500
Brazil	4,800	4,000
India	10,000	3,700
Republic of Uzbekistan	2,500	2,750

Source: USDA
*Expected

Top 5 Exporter of Cotton Production



Source: USDA

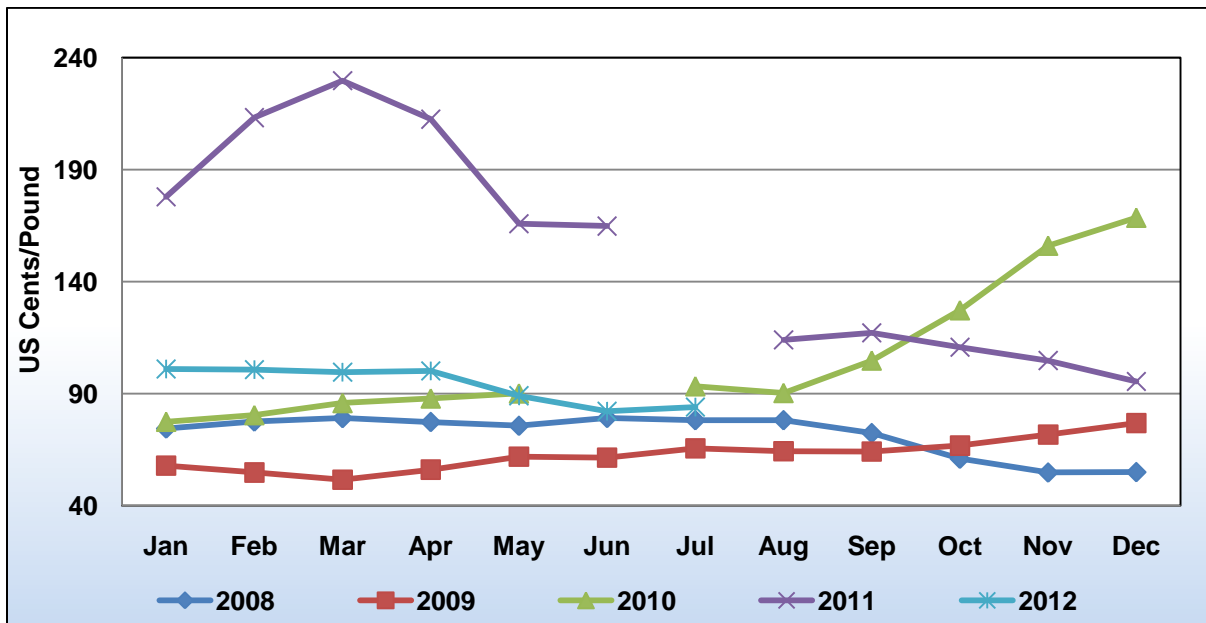
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Historical Data of last 2 to 3 year (Cotlook index)

Month	2008	2009	2010	2011	2012
Jan	74.40	57.80	77.40	177.90	101.00
Feb	77.50	54.75	80.35	213.25	100.65
Mar	79.05	51.55	85.75	229.75	99.55
Apr	77.30	56.00	87.80	212.55	100.15
May	75.60	61.80	90.05	165.85	89.03
Jun	79.10	61.35	N.Q.	164.80	82.11
Jul	78.10	65.50	93.25	N.Q.	83.93
Aug	78.10	64.25	90.25	114.00	N.Q.
Sep	72.35	64.05	104.75	117.10	N.Q.
Oct	60.90	66.75	127.20	110.66	N.Q.
Nov	54.75	71.65	156.05	104.75	N.Q.
Dec	54.95	76.85	168.55	95.40	N.Q.

Source: fibre2fashion.com

Cotton Price Trend



Source: fibre2fashion.com

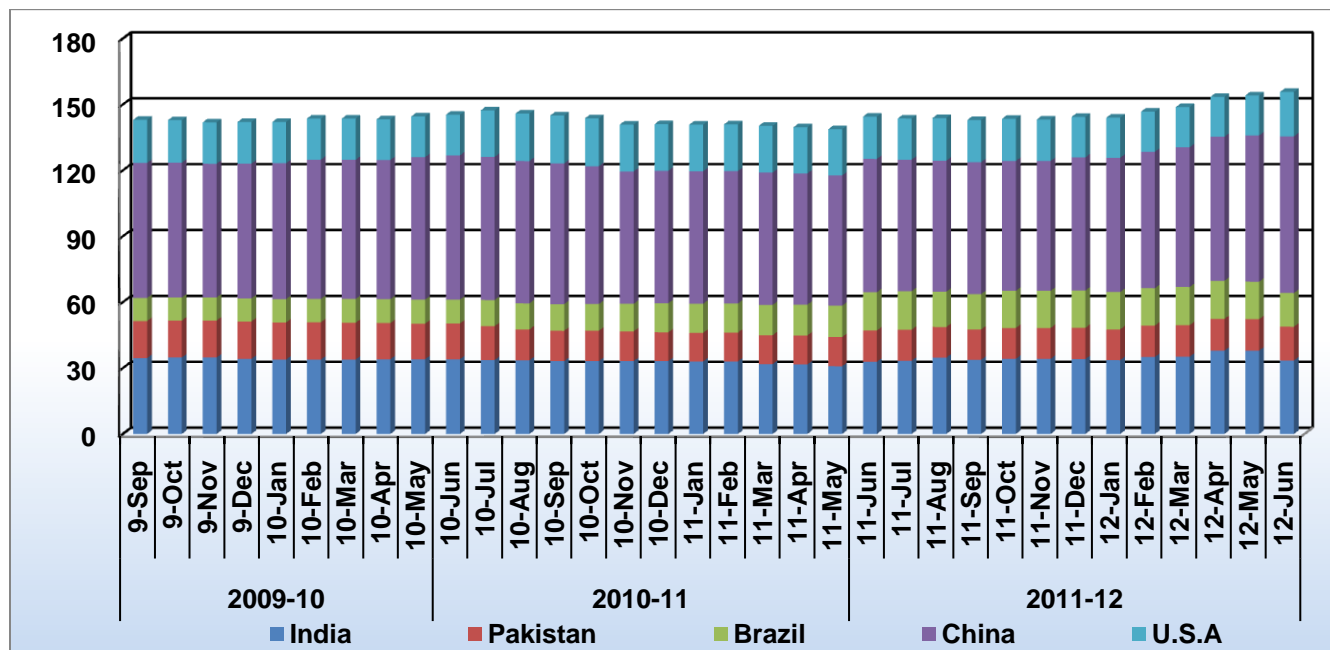
Supply and Use data of Cotton in major markets

Year	Month	India		Pakistan		Brazil		China		U.S.A		World	
		Supply	Use	Supply	Use	Supply	Use	Supply	Use	Supply	Use	Supply	Use
2009-10	9-Sep	34.56	24.60	16.84	12.40	10.51	6.00	61.47	46.33	19.65	14.00	198.55	144.73
	9-Oct	34.81	24.70	16.84	12.40	10.51	6.00	61.37	46.33	19.35	13.90	198.25	144.59
	9-Nov	34.81	25.20	16.84	12.40	10.51	6.10	60.87	46.33	18.85	13.90	197.92	146.67
	9-Dec	34.17	25.55	17.04	12.50	10.49	6.20	61.37	46.83	18.94	14.40	197.72	148.39
	10-Jan	33.87	25.35	16.89	12.50	10.64	6.20	61.87	46.83	18.75	14.40	197.29	148.02
	10-Feb	33.87	24.90	16.99	12.50	10.64	6.20	63.37	47.58	18.75	15.40	198.92	149.30
	10-Mar	33.87	25.30	16.74	12.45	10.84	6.20	63.37	47.58	18.75	15.50	199.05	150.10
	10-Apr	34.02	25.50	16.49	12.20	10.84	6.30	63.37	47.58	18.5	15.50	198.68	150.29
	10-May	34.02	25.70	16.19	12.00	10.94	6.30	64.87	47.53	18.54	15.40	200.69	150.48
10-Jun	34.02	25.90	16.29	12.25	10.84	6.30	65.67	47.53	18.54	15.65	201.29	151.69	
2010-11	10-Jul	33.65	26.30	15.41	12.00	11.93	6.80	65.14	49.03	21.20	17.70	204.06	156.72
	10-Aug	33.50	26.90	14.10	11.80	11.86	6.50	64.78	50.03	21.64	18.40	202.68	159.11
	10-Sep	33.17	25.50	13.80	11.30	12.15	6.80	64.03	50.03	21.84	19.10	201.89	158.49
	10-Oct	33.17	25.50	13.83	11.30	12.15	6.80	62.75	50.03	21.82	19.10	201.45	158.85
	10-Nov	33.17	26.00	13.53	11.10	12.55	6.90	60.25	47.03	21.37	19.20	197.76	155.67
	10-Dec	33.17	25.80	13.13	10.65	13.25	7.15	60.25	47.03	21.23	19.30	198.19	154.93
	11-Jan	33.02	26.30	13.03	10.55	13.25	7.10	60.25	47.03	21.28	19.35	197.63	154.93
	11-Feb	33.02	26.30	13.13	10.55	13.25	7.10	60.25	47.03	21.28	19.35	197.34	154.67
	11-Mar	31.82	26.30	13.13	10.55	13.80	7.20	60.25	47.05	21.28	19.35	197.38	155.19
11-Apr	31.65	26.30	13.20	10.90	14.00	6.75	59.75	47.05	21.06	19.45	196.65	155.25	
2011-12	11-May	30.85	25.80	13.28	10.70	14.30	6.40	59.25	47.08	21.06	19.30	195.88	153.51
	11-Jun	32.85	26.30	14.26	11.15	17.45	9.20	60.67	47.55	19.26	16.80	206.42	158.37
	11-Jul	33.35	26.00	14.11	10.90	17.55	9.00	59.87	46.55	18.76	15.80	205.85	155.04
	11-Aug	34.75	25.50	13.96	10.75	16.10	8.30	59.62	46.05	19.41	16.10	205.28	152.77
	11-Sep	33.75	26.00	13.81	10.75	16.11	8.20	60.10	46.05	19.17	15.80	204.24	152.52
	11-Oct	34.20	25.75	14.06	10.75	16.91	8.20	59.10	45.55	19.22	15.30	205.59	150.89
	11-Nov	34.20	25.75	14.06	10.75	16.91	8.20	59.10	45.55	18.91	15.10	205.42	150.60
	11-Dec	34.10	25.50	14.21	10.75	17.01	8.10	60.60	45.05	18.44	14.90	205.46	147.91
	12-Jan	33.60	25.50	14.01	10.80	17.01	8.20	61.10	44.05	18.28	14.60	204.70	146.51
	12-Feb	35.05	25.75	14.31	10.90	17.01	8.20	62.10	44.05	18.28	14.50	207.75	147.13
	12-Mar	35.20	27.25	14.31	11.00	17.41	7.90	63.60	43.53	18.29	14.40	209.67	147.49
	12-Apr	37.95	28.40	14.41	11.40	17.36	8.20	65.60	42.53	18.18	14.80	214.78	148.86
12-May	37.95	29.00	14.31	11.10	17.06	8.50	66.60	42.03	18.19	14.80	215.00	148.27	
12-Jun	33.47	25.25	15.36	11.50	15.35	8.35	71.33	40.03	20.21	15.30	219.58	145.96	

Source: fibre2fashion.com

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Supply of Cotton in Major Markets



Source: fibre2fashion.com

Cotton Production of top 3 Cotton Producers of the world:

China’s Cotton Production

China is known as the largest cotton producing country in the world, where China’s Textile Industry is prominent as the world’s largest consumer of cotton. Moreover, it depends on Chinese farmers to produce up to 70% of its demand. Among 31 regions in mainland China, 24 regions produces cotton and about 300 million people are involved in cotton production. Increase in erudition of Textile Industry, domestic production of China has not reserved the pace through the rapid growth.

Recent analysis reveals that, the gap between cotton price in Chinese domestic market and global market increased in June, as cost of imported cotton continued to fall below the price of cotton in Chinese local market.

The average CIF price of imported cotton at major Chinese ports was 11,556 Yuan/ton in June. After addition of 1 percent quota tariff, VAT, port charges and domestic freight, the price goes up to 13,587 Yuan/ton, which was 4975 Yuan below the domestic price of the same standard during the month of June. The price difference, thus, increased by 645 Yuan/ton compared to May 2012.

The cost of imported cotton, based on floating tariff, averaged to about 14,580 Yuan/ton in June, which was 3980 Yuan lower than the price of domestic cotton of the same

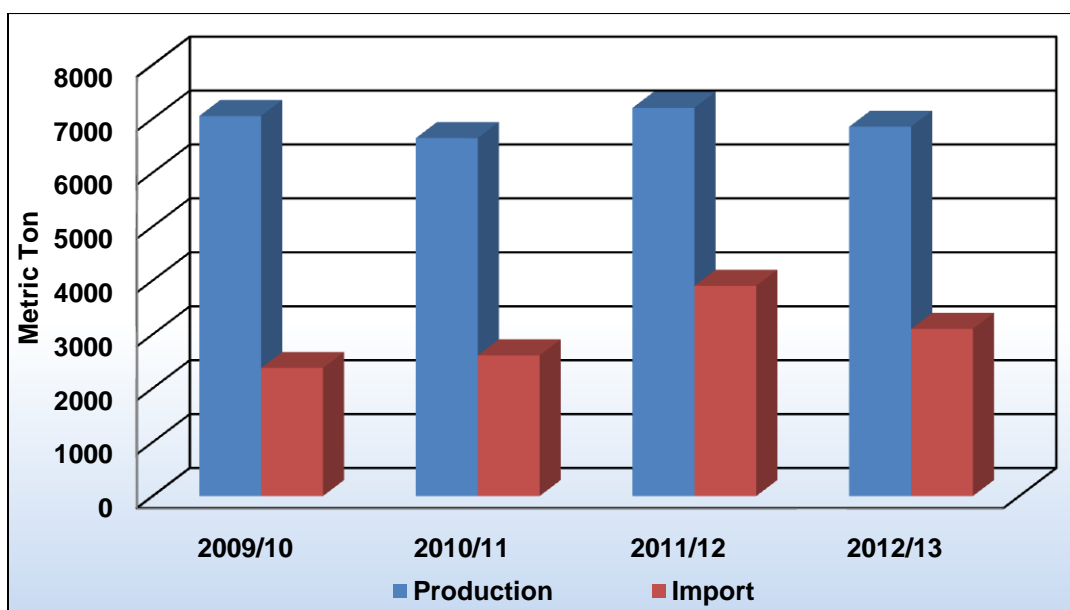
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standard during the month. Thus, the price gap expanded by 350 Yuan/ton compared to the previous month.

China's Cotton Production and Import (1,000 MT)		
	Production	Import
MY 2009/10	7050	2375
MY 2010/11	6640	2609
MY 2011/12	7200	3900
MY 2012/13*	6850	3100

Source: USDA
*Expected

China's Cotton Production and Import



Source: USDA

The Government of China controls the annual import volume through Tariff Rate Quote system (TRQ). In support of midyear 2011/12, cotton imports were sanctioned by the government at 894,000 mt, which was a subject to one percent import tariff. The government is less likely to purchase momentous quantity of domestic crops of midyear 2012/13, because of high stock levels and limited warehouse storage capacity. Thus, making it less dependent on imports, these mills will give greater access to domestic supply. Hence according to USDA, in MY 2012/13, cotton imports is likely to plunge down up to 20%, depending on the level of government reserves released to mills, which will decline to 3.1 million mt from an estimated 3.9 million mt in midyear 2011/12.

India's Cotton Production

India is famous as the world's second largest cotton producers and has the leading cotton producers like Maharashtra, Gujarat and Andhra Pradesh, as these states mostly have tropical wet and dry climate. The state of Maharashtra produces 26.63% of cotton, Gujarat produces 17.96% and Andhra Pradesh produces 13.75%.

State-Wise Production, Area and Yield of Cotton in India						
<i>Area in lakh hectares/ Production in lakh bales of 170 kgs/ Yield kgs per hectare</i>						
Year	2010-11			2011-12* (p)**		
States	Area	Prod.	Yield	Area	Prod.	Yield
Punjab	5.30	16	513	5.60	17	516
Haryana	4.92	14	484	6.05	16	450
Rajasthan	3.35	9	457	5.30	15	481
North total	13.57	39	489	16.95	48	481
Gujarat	26.33	103	665	30.23	115	647
Maharashtra	39.32	82	355	40.95	85	353
Madhya Pradesh	6.50	17	445	7.06	18	433
Central total	72.15	202	476	78.24	55	504
Andhra Pradesh	17.84	53	505	18.54	55	504
Karnataka	5.45	10	312	5.49	14	434
Tamil Nadu	1.22	5	697	1.21	5	702
South Total	24.51	68	472	25.24	74	498

Source: Cotton Advisory Board

*Expected; **P-Provisional

According India has overtaken the US to become the largest cotton exporter to China. Between September 2011 and May 2012, China imported 1.783 million tons of cotton from India, compared to import of 993,000 tons of cotton from the US. During the same period, China also imported 374,000 tons of cotton from Australia, 332,000 tons from Brazil and 242,000 tons from Uzbekistan.

These five countries together accounted for about 86.5 percent of China's total cotton imports during the period. Last month, China imported 476,000 tons of cotton, showing a 296.6 percent or 356,000 tons rise over 120,000 tons of cotton imported in June last year. During September 2011 to June 2012 period, China imported 4.7288 million tons of cotton, registering an increase of 2.5182 million tons or 113.9 percent year-on-year.

From 2003 to 2010, China's average cotton imports for months of July and August were 207,000 tons and 221,000 tons respectively, with maximum imports of 290,000 tons and 286,000 tons in July and August 2005, respectively. However, based on the current

trend of cotton imports this year, Chinese cotton imports in July and August this year is likely to surpass average cotton imports during the same months in previous years.

The volume of Chinese cotton imports is projected to be around 300,000 tons during the July and August months, which would take the total cotton imports this year to about 5.3 million tons, which would be a record high.

Cotton Production in India				
	<i>Million 170 kg Bales</i>			
	2009/10	2010/11	2011/12	2012/13*
Area (ha)	10,310,000	11,142,000	12,191,000	10,920,000
Beginning Stocks	11.40	7.90	8.40	6.40
Production	29.50	33.90	34.25	32.30
Imports	0.67	0.24	0.80	0.50
Total Supply	41.60	42.10	43.40	39.20
Exports	8.40	6.60	11.75	6.00
Consumption	25.30	27.10	25.30	26.00
Ending Stocks	7.90	8.40	6.40	7.20

Source: USDA
*Expected

As per latest study, the marketing year 2011 – 12, India had produced a record of 34.25 million bales (one bale contains 170 kg of cotton), but the marketing year 2012 – 13, production of cotton is likely to decline by 2 million bales to 32.3 million, as area is expected to plunge down by 10%. However in 2012 – 13, domestic cotton consumption is forecasted to increase to 26 million bales from 25.3 million bales in the year 2011 – 12.

India has overtaken the US to become the largest cotton exporter to China. Between September 2011 and May 2012, China imported 1.783 million tons of cotton from India, compared to import of 993,000 tons of cotton from the US. During the same period, China also imported 374,000 tons of cotton from Australia, 332,000 tons from Brazil and 242,000 tons from Uzbekistan. These five countries together accounted for about 86.5 percent of China's total cotton imports during the period. Last month, China imported 476,000 tons of cotton, showing a 296.6 percent or 356,000 tons rise over 120,000 tons of cotton imported in June last year. During September 2011 to June 2012 period, China imported 4.7288 million tons of cotton, registering an increase of 2.5182 million tons or 113.9 percent year-on-year.

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USA Cotton Production

A Press Released issued by USDA states that, according to USDA's projections for the 2012 crop the U.S. cotton production forecast for 2012 remains at 17.0 million bales this month and is projected 1.4 million bales above the 2011 crop. Despite a reduction in planted area based on the June Acreage report, the crop was left unchanged as abandonment and yield were adjusted based on current conditions.

While drought conditions are still prevalent across parts of the Cotton Belt this year, they are much improved from those in 2011. Abandonment and yield projections are based on 2009-11 averages, weighted by region; however, harvested area is further adjusted to include estimated abandonment of 30 percent in the Southwest.

Based on the June Acreage report, U.S. producers indicated that they had planted or intended to plant more than 12.6 million acres to cotton in 2012, 4 percent below the March Prospective Plantings report and 14 percent below 2011. Although planted area is below last season, harvested area is projected 10 percent higher at 10.4 million acres.

Improved moisture and crop conditions in the Southwest—compared with last season—are expected to reduce abandonment dramatically from 2011 when the region lost over 60 percent of the intended area. Nationally, U.S. abandonment for 2012 is projected at 18 percent (2.2 million acres), above the long term-average of 13 percent.

The projected 2012 abandonment compares with a record of 36 percent (5.3 million acres) set last season; the previous abandonment record of 27 percent occurred in 1933. Upland cotton area projections are lower for each region of the Cotton Belt for 2012, ranging from 11 percent to 22 percent lower, as higher alternative crop prices provided the incentive to reduce cotton area. Area in the Southwest was reported at about 7.2 million acres (11 percent lower); this region is expected to have an above average abandonment once again in 2012.

In the Southeast and Delta regions, area is estimated at about 2.7 million acres (22 percent lower) and 2.1 million acres (13 percent lower), respectively. Upland area in the West is estimated to decline 20 percent from 2011 to 400,000 acres. In addition, extra-long staple area—most of which is in the West—is expected to reach 235,000 acres, 23 percent below 2011.

U.S. cotton crop development in 2012 continues ahead of both last season and the 5-year average. As of July 8th, 70 percent of the crop was squaring, compared with 56 percent a year earlier and the 5-year average of 64 percent. Likewise, area setting bolls had reached 23 percent as of early July, compared with 18 percent in 2011 and the 2007-11 average of 19 percent.

Meanwhile, early season U.S. cotton crop conditions are above the corresponding period from last year and similar to the 5-year average. As of July 8th, 44 percent of the U.S.

area was rated “good” or “excellent,” compared with 28 percent last season, while only 18 percent was rated “poor” or “very poor,” compared with 42 percent in 2011.

The U.S. yield is currently projected at 785 pounds per harvested acre, slightly below last season’s final estimate. In August, USDA’s National Agricultural Statistics Service will publish its first survey-based results for 2012 cotton production.

Cotton Demand and Stocks Revised

As the start of the 2012/13 season approaches, demand projections for the upcoming season were revised slightly this month; 2012/13 total U.S. cotton demand is forecast at 15.5 million bales, 600,000 bales above the latest 2011/12 estimate.

U.S. exports for 2012/13 were increased 300,000 bales this month as higher projected foreign import demand is expected to support exports of 12.1 million bales. U.S. mill demand for 2012/13 was reduced slightly to 3.4 million bales, reflecting recently reported mill activity that reduced the 2011/12 estimate this month.

Despite global cotton trade being projected smaller in 2012/13, the U.S. share of world trade is forecast to rebound from 2011/12. Larger U.S. exportable supplies are expected in 2012/13 as is less competition from some of the major cotton producers that reduced area.

Based on the current projections, the U.S. share of world trade is forecast at 32 percent, between last season’s 27 percent and 2010/11’s 39 percent.

Based on the latest supply and demand estimates, 2012/13 stocks are forecast to rise for the second consecutive season from 3.3 million bales when the season begins on August 1st, to 4.8 million bales at season’s end.

Just as actual stocks are likely to increase in 2012/13, the stocks-to-use ratio is also expected to rise from 22 percent in 2011/12 to 31 percent in 2012/13, the highest in four seasons. The 2012/13 upland farm price is expected to range between 60 and 80 cents per pound, compared with the 2011/12 estimate of 91 cents and 2010/11’s 81.5 cents.

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Forecast:

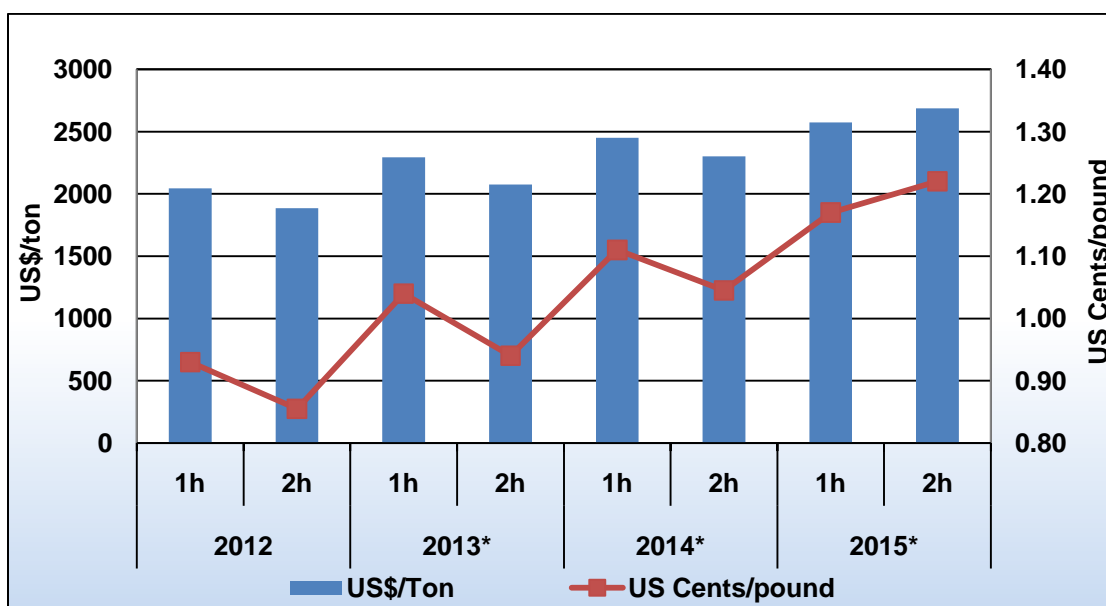
World Cotton Production to Decline in 2012/13

As per recent analysis, the year 2012 – 13 has been projected to almost decline in all major producing countries. Compare to last year 2011, global cotton production in 2012 – 13 is likely to decrease by 7% to 113.8 million bales, whereas, the harvested area is expected to be 33.9 million hectares and yields to 750 kg/hectare.

Cotton Forecast

Year	Half	US\$/Ton	US Cents/pound
2012	1h	2000- 2087	0.91 - 0.95
	2h	1875 - 1895	0.85 - 0.86
2013*	1h	2275 - 2310	1.03 - 1.05
	2h	2050 - 2100	0.93 - 0.95
2014*	1h	2400 - 2500	1.09 - 1.13
	2h	2275 - 2327	1.03 - 1.06
2015*	1h	2547 - 2600	1.16 - 1.18
	2h	2600 - 2775	1.18 - 1.26

Source: Fibre2Fashion.com
*Expected



Source: Fibre2Fashion

The top 3 cotton producing countries, China and India is projected to surge down by 9% from the previous year 2011 and will produce 30.5 million bales and 24.0 million bales, respectively, while cotton production in United States will increase by 9% to 17.0 million bales from the preceding year 2011, as marked by recent analysis. From the month of June 2012, the production of Cotton in India is revised down by 4%, due to delay with monsoon season, whereas in the year 2012 – 13, countries like Australia and Brazil will be producing nearly 4.3 million bales and 7.0 million bales, with a decline of 13% and 20%, respectively from the previous year 2011, while the cotton produced in Pakistan and Uzbekistan is likely to decline by 9% to 9.7 billion bales and 2% to 4.1 million bales, respectively, as forecasted by the market analysis. Hence, with the latest research made by U.S. Department of Agriculture (USDA) for 2012 indicate that global cotton production is forecast at 113.8 million bales, 7 percent below the 2011 record estimate of 122.7 million bales.

Disclaimer:

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