

**GLOBAL COTTON MARKET
TRENDS FOR**

2013

By:
Fibre2Fashion.com



Global cotton market trends for 2013

By: Fibre2Fashion.com

What are the global market trends for cotton in 2013?

Cotton is an ancient fibre known for its versatility, natural comfort and performance. Cotton market is volatile like every other commodity market. Traders have to integrate bits of information regarding supply and demand, and compare the guesses of fellow traders before he pursues his estimates by promising to buy or sell. What are the current market trends, and what are the future predictions?

Cotton production likely to decline in 2013:

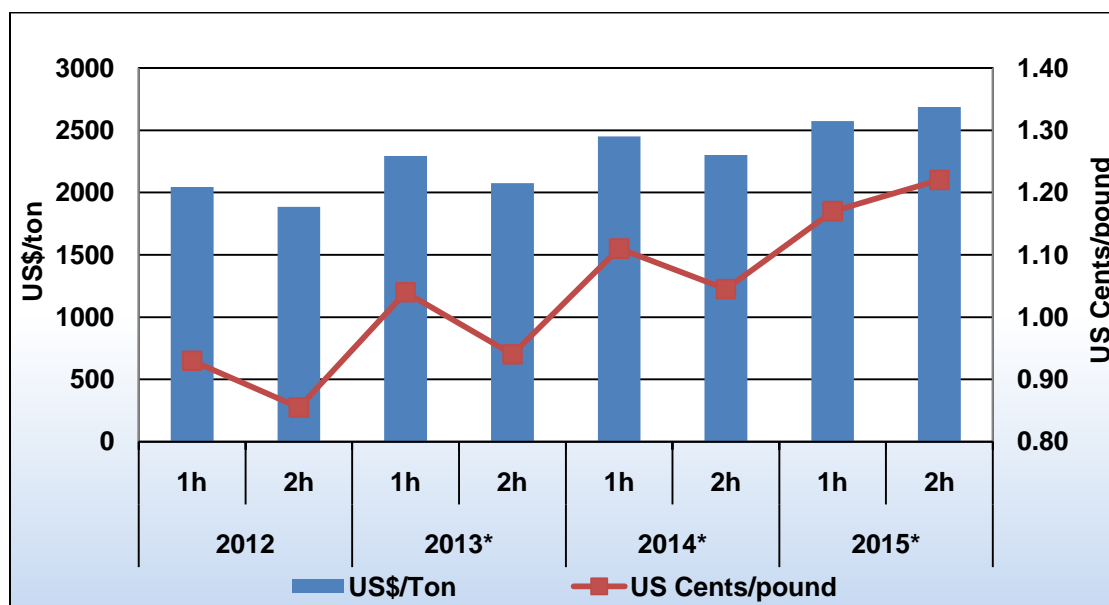
As per industry analysis, the year 2012 - 13 has been projected to decline in all major cotton producing countries. Compared to the year 2010 - 2011, global cotton production in 2012 - 13 is likely to decrease by 7% to 113.8 million bales, whereas, the harvested area is expected to be 33.9 million hectares and yields to 750 kg/hectare.

Global cotton production forecasts

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

Want to reprint this Article ?



Source: Fibre2Fashion.com

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. Cotton acreage is likely to decline by 30% year-on-year in countries like Brazil and Australia in the coming months.

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 market analysts. 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.

Volatility in prices:

Price is the defining factor for any industry around the world. After reaching its highest in the past 150 years, during 2011; cotton market experienced with an unpredictable situation in 2012 when prices plunged by more than 60%.

Global price trends for cotton are predicted by industry analysts to remain stable in the first half and lift modestly at the second half of 2013. Uncertainties in the supply of new crop will probably drive the prices as market focus shifts from good production in the northern hemisphere.

Want to reprint this Article ?

Increased stocks:

Calculus of cotton is always erratic. The industry has learnt that demand and supply are not ironclad predictors of market behavior. Still surplus stocks of cotton will be a major factor of decline in prices. With a decreasing tendency observed in demand, the trend is likely to continue to the coming few years.

US cotton- demand and stocks:

US cotton sold out quickly when there was good demand in the market. Current industry trends predict a lag in demand, which is likely to affect US cotton sales for this year. Generally US cotton is sold during the months January to May. If cotton is not sold before May, it will face tough competition from the crops of Southern Hemisphere and other countries like Brazil whose cotton quality is quite high. Based on the industry analysis, US share of global trade is forecasted to be around 32%, compared with the 39% during 2010-11.

A press release issued by USDA states that 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. (*Source: ers.usda.gov*)

Distance:

Major cotton cultivating countries such as Brazil and China are located thousands of miles away from ports with inadequate logistic support. Other countries such as US have its own drawback like lack of adequate warehousing facility.

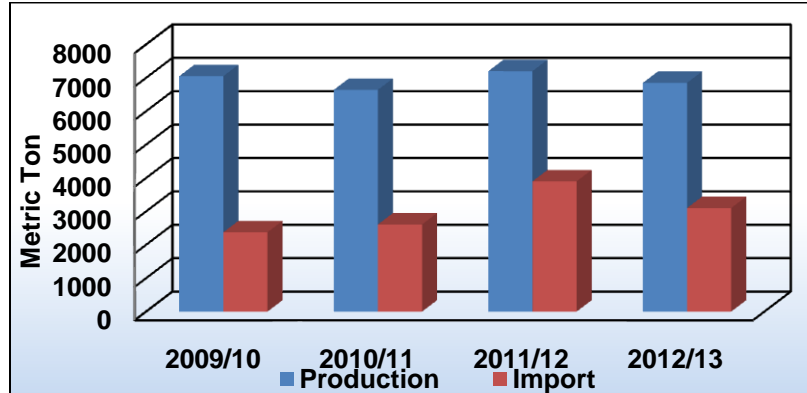
Sustainability:

The process of growing and harvesting conventional cotton has shocking facts hidden behind. The industry depends to a much greater extent on chemicals such as fertilizers and insecticides. With the wake towards environmentalism, the influence of sustainability is everywhere, and has become a major matter of concern for cotton and apparel manufacturers. Organizations will be going in for Free Trade and many other initiatives.

Government intervention in China:

The Government of one of the major cotton consuming country, China interferes in the country's free trade of cotton. The Government of China controls the annual import volume through Tariff Rate Quote system (TRQ).

Want to reprint this Article ?



China’s 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. This will result in less dependency on imports; and mills will give greater access to domestic supply. Hence according to USDA, in MY 2012 - 13, cotton imports are likely to plunge down up to 20%, depending on the level of Government reserves released to mills.

A Rabobank reports says, "However, with around 46% of global ending stocks located in China, the policies and interventions of the Chinese government remain the wild card for cotton prices."

Indian Market scenario:

Cotton Production in India				
	Million 170 kg Bales			
	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

Want to reprint this Article ?

Similar to China, India also faces Government intervention regarding cotton trade. As per latest study, during the marketing year 2011 - 12, India had produced a record of 34.25 million bales (one bale contains 170 kg of cotton). But during the marketing year 2012 - 13, production of cotton is predicted to decline by 2 million bales to 32.3 million. 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.

Changes that occur in global cotton market will have far reaching implications among the manufacturers, retailers, and designers of the textile and apparel industry. Industry players hope that global market would be positive in 2013.

Disclaimer

The information contained in this report has been taken from trade & service facilitators and other sources which we believe are reliable. Fibre2fashion does not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments and under subject to change without notice. Expert persons exercises independent judgment in trading, and readers are urged to exercise their own judgment.

Want to reprint this Article ?