

ICAC- Executive Summary

Stocks Swell after Production Exceeds Demand for Second Straight Year

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Executive Summary

Highlights from the September 2019 Cotton This Month include:

- Global production is expected to increase 5% to 26.9 million tonnes
- Global consumption is projected to increase 1% to 26.9 million tonnes
- The excess production will cause global stocks to swell to 18.3 million tonnes
- Prices will be under increasing pressure as a result of the growing supply

Stocks Swell after Production Exceeds Demand for Second Straight Year

According to the September 2019 edition of Cotton This Month, the outlook for 2019/20 is already facing some deflating news: production will surpass consumption, and global stocks are projected to grow to 18.3 million tonnes. That combination will exert downward pressure on prices in the coming year.

About 43% of the expected global production of 26.9 million tonnes will come from China and India alone, and the competition between the two to be the year's top producer should be close. Despite ongoing trade barriers, area in the USA is expected to increase 24% and production is expected to climb by 23%.

US exports, weakened by the trade impasse with China, fell by 8% to 3.16 million tonnes in 2018/19, although the current forecast calls for the global cotton trade to expand 2% to 9.5 million tonnes in the coming year

World Cotton Supply and Demand

	2017/18		2018/19		2019/20	
	Million Tonnes	Change	Million Tonnes	Change	Million Tonnes	Change
Beginning Stocks	18.48	0.00	18.72	0.00	18.09	0.00
Production	26.68	0.00	25.72	0.00	26.89	0.00
Supply	45.16	0.00	44.44	0.00	44.99	0.00
Consumption	26.37	0.00	26.34	0.00	26.66	0.00
Exports	9.09	0.00	9.30	0.00	9.48	0.00
Ending Stocks	18.72	0.00	18.09	0.00	18.33	0.00

ICAC Price Projections

Season-average Cotlook A Index (US cents per pound).

Projections	Previous Month		This Month	
	Range	Midpoint	Range	Midpoint
2019/20*	66-102	81	65-97	79

*The price projection for 2019/20 is based on the ending stocks-to-mill use ratio in the world-less-China in 2017/18 (estimate), in 2018/19 (estimate) and in 2019/20 (projection), on the ratio of Chinese net imports to world imports in 2018/19 (estimate) and 2019/20 (projection), and the average price of 2018/19. The projection estimate reflects a 95% confidence interval.