

ELS Report Paul Reinhart AG – January 2018

US Pima

The situation of the 2017/18 crop on January 4, 2018 is as follows (running bales of about 500 lbs)

60'000 bales	beginning stock August 1st, 2017
<u>665'000 bales</u>	production 2017/2018 (latest USDA estimate)
725'000 bales	total supply
25'000 bales	less domestic mill use
299'000 bales	less outstanding sales
<u>182'000 bales</u>	less accumulated exports
<u>219'000 bales</u>	available for export

The USDA has reduced their US Pima production estimate of crop 2017/18 by 35'000 bales to 665'000 bales, a figure which is still above the estimates of most of our Pima suppliers. 481'000 bales have been registered so far for sale, which represent about 70% of the exportable surplus. The harvest in California, Texas, Arizona and New Mexico is finished and more than 500'000 bales have been classed in the USDA classing office in Visalia, CA. The classing confirms, that the crop is of excellent quality with outstanding specifications. About 98% is grade 1 and 2, 90% of the staple is 48 and longer, 97% of the micronaire is within G5 (average 4.1) and the average strength is around 43.5 gpt (HVI).

The graphs of the California Snow Water Content are showing a very low coverage and if it remains dry in the San Joaquin Valley in the next months, it is possible that farmers, especially in the Westlands, will have to reduce Pima acres in the coming 2018/19 season.

Egypt

The Egyptian 2017/18 crop is estimated as follows (in tons):

	Giza 94	Giza 86	Giza 95	Giza 90
Beginning stock	1'500	4'500	50	25
Production	35'000	15'000	6'000	1'800
Total supply	36'500	19'500	6'050	1825
Local consumption	5'000	5'000	0	0
Committed for export	23'500	10'000	6'050	1'650
Available for export	8'000	4'500	0	175

For the season 2017/18, the crop estimate has been reduced considerably in the past few months. We estimate the crop size of Giza 94 and Giza 86 to be 35'000 tons and 15'000 tons respectively. The technical parameters of selected lots of Giza 94 are excellent with a staple of 33/34 mm, a micronaire range of 3.5-4.1NCL and a strength of 42/43 gpt (HVI). The specifications of Giza 86, with a staple of 33 mm, a micronaire range between 3.8 and 4.7NCL and a strength of 43/44 gpt (HVI), are much better compared to the previous season as well. It seems, that the Egyptian Government finally got the seed distribution under control.

The extra-long staple crop 2017/18 is expected to reach 3'800 tons, divided into Giza 96 (about 1'500 tons), Giza 92 (about 1'500 tons), Giza 87 (about 600 tons) and Giza 88 (about 200 tons).

Out of upper Egypt, we estimate a crop of 7'800 tons, whereof 6'000 tons of Giza 95 and 1'800 tons of Giza 90. Practically the entire quantities have been registered for export already, whereof more than 90% to Indian customers in the home-textile sector. These price-wise most attractive varieties Giza 90 and Giza 95 are used to produce lower yarn counts where the "Egyptian Cotton Gold Seal Logo" is needed.

China

We estimate the Chinese ELS situation as follows (in tons):

<u>Crop 2016/17</u>		<u>Crop 2017/18</u>
70'000	beginning stock	135'000
180'000	production	70'000
45'000	import	50'000
160'000	consumption	160'000
135'000	ending stock	95'000

The XJ ELS crop estimate for 2017/18 crop has been reduced to around 70'000 tons; the ELS consumption remains unchanged at 160'000 tons. Most ELS mills in China report to be satisfied with their business. They have been actively buying US Pima out of 2017/18 crop (40'000 tons) and a couple of thousand tons of Egyptian Giza 94 and Giza 86 cotton. There is hardly any interest for other ELS imports. Sales of XJ ELS cotton are currently slow, since the price-level has increased by around 15.00 cents/lb in the past two months.

India

For the season 2017/18, the quality of DCH-32 out of Madhya Pradesh is rated better than the one from Karnataka. The total ELS production (33mm and longer) is estimated to be 100'000 tons and total ELS consumption estimated at around 155'000 tons.

India has again been a very active importer of ELS varieties out of crop 2017/18. The country has purchased almost 60% of the Egyptian cotton so far and about 30% of the US Pima exports. India is also one of the most active importers of the ELS varieties from Turkmenistan, Israel and Spain

Central Asia

Turkmenistan has already sold good quantities out of the 2017/18 crop. The Ministry of Agriculture and Water Resources has linked the majority of the 14'134 tons of ELS sales with upland cotton. Currently, there are no more ELS quantities being offered at the Raw Material and Commodity Exchange. One can expect that the Ministry will resume the additional offers, once the current commitments have been produced. We expect a total 2017/18 crop production of 25'000 tons, whereof approximately 7'000 tons will be allocated to the so called Presidential Reserve and released for the export during a later stage of the season. The leftovers of the old stocks have been sold to the domestic market. Basically, no more quantities remain available other than out of the 2017/18 crop.

East Africa

According to the SCCL, the Barakat production of 2017 of roughly 16'000 bales (about 3'000 tons) has already been sold. For 2018, a crop of 30'000 bales (about 5'500 tons) is projected. This quantity will be available for March 2018 shipment and onwards.

Spain

For the season 2017/18, the final crop size has been 3'500 tons only, due to a short supply of seeds; this compares to the former estimate of 4'000 tons, For season 2018/19 an area of 4'000 hectares will be planted, which, applying an average yield, will result in a crop of 4'000 tons.

Greece

For 2017/18, the Greek ELS production will again be around 1'000 tons whereof 300 tons have been sold already.

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Israel

According to the Israel Cotton Board, the final production figure of season 2017/18 is 11'900 tons, divided into 10'300 tons of Pima and 1'600 tons of Acalpi. The quality and the technical parameters of the BCI certified Israel ELS crop are excellent and have improved especially in terms of strength. Israeli farmers are suffering under a drought and a weak US Dollar.

Comment

With US Pima and Egyptian Giza export commitments of over 70% and 75% respectively and still ten months to go for the first 2018/19 ELS shipments, we are convinced that prices for most ELS varieties will remain firm for the next couple of months.

Jürg Stahel, January 16, 2018