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Cotton Market Outlook Calm After the Storm?



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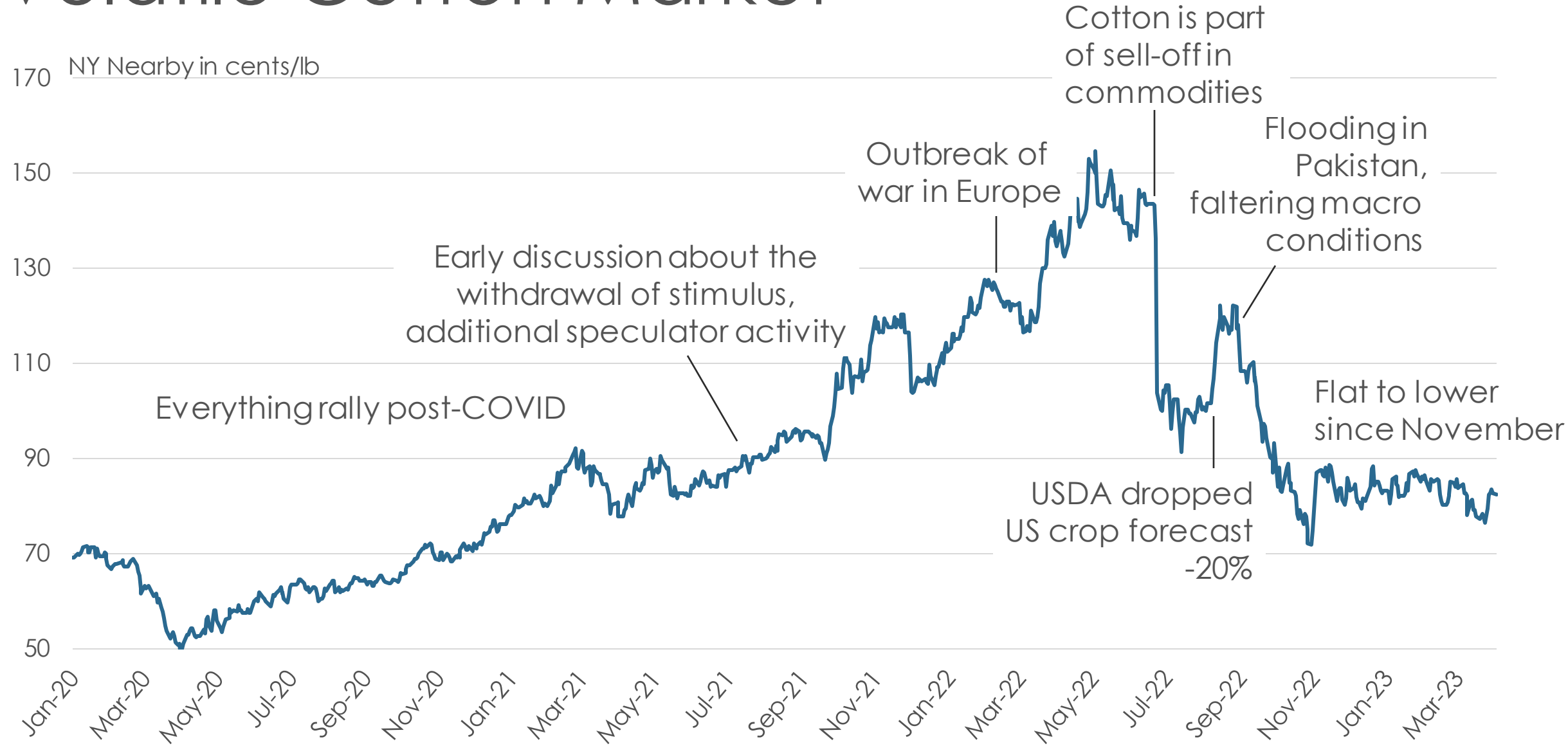
Type your questions using the Q&A feature at any time during the webinar.



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Webinar Support

Volatile Cotton Market



Source: Refinitiv

Volatile World

Volatile World



Trade
dispute
& tariffs



COVID &
lockdowns



Stimulus &
spending
surge



Shipping
crisis



Inflation



War in
Europe



Higher interest
rates &
slower growth

Volatile World

World's top trade partners

Trade dispute & tariffs

Orders slashed

COVID & lockdowns

Orders surge

Stimulus & spending surge

Orders delayed

Shipping crisis

Demand concerns

Inflation

Demand concerns

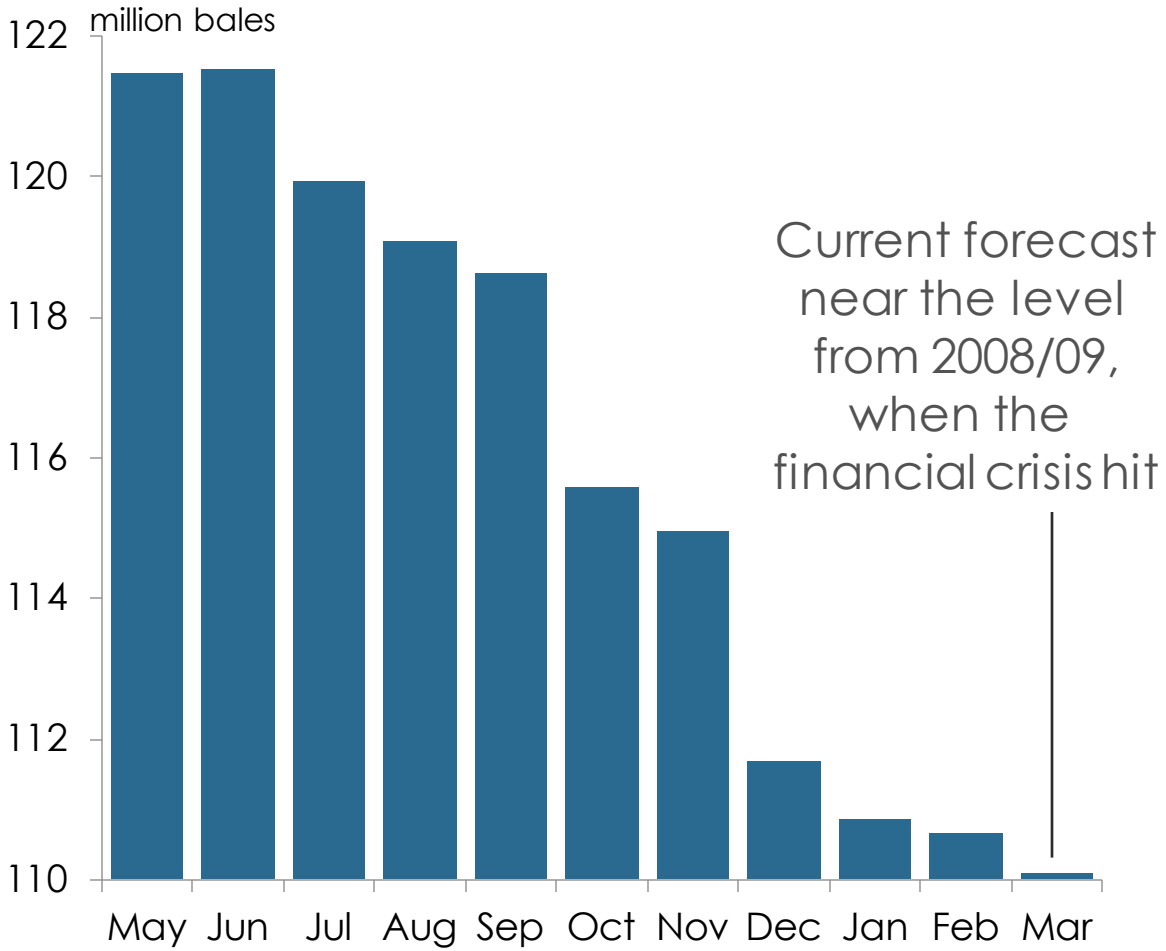
War in Europe

Inventory accumulation

Higher interest rates & slower growth

Volatile Global Cotton Estimates

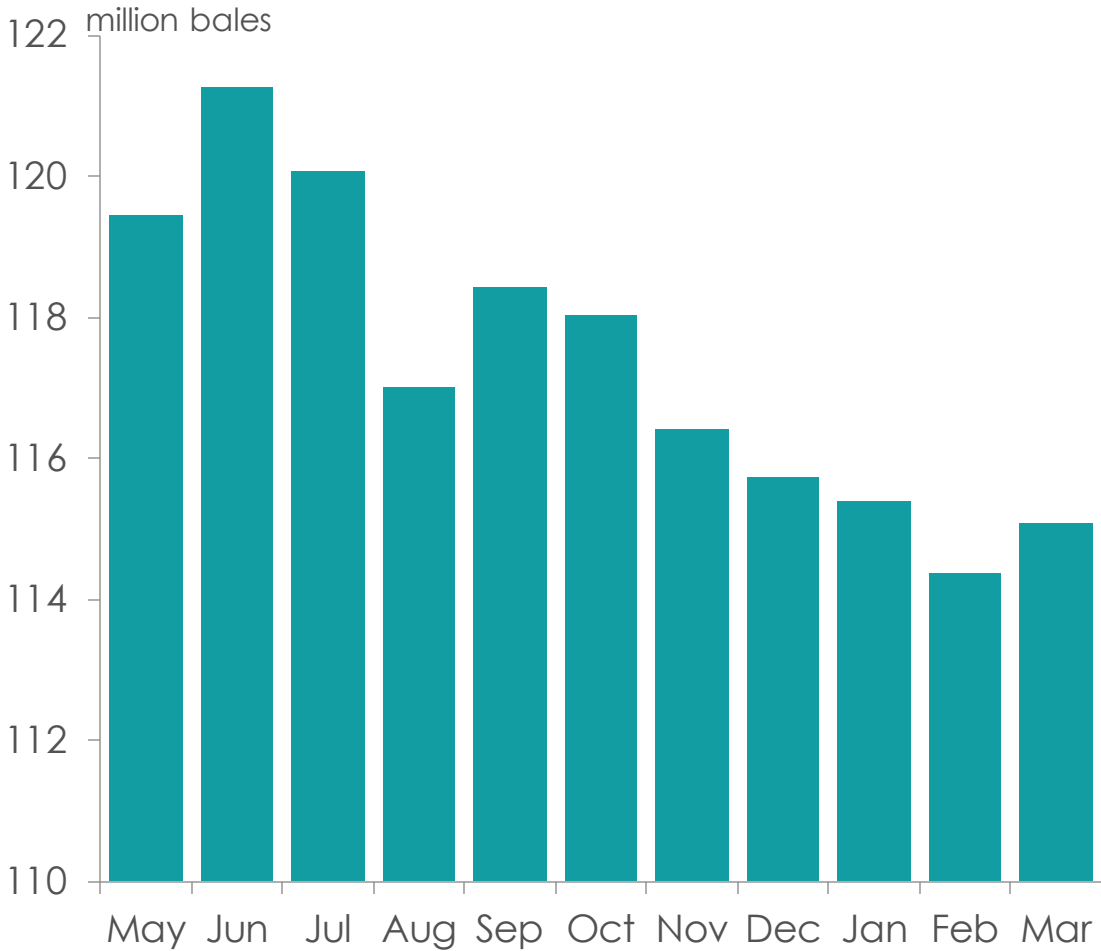
USDA Global Mill-Use Estimates
Released in Different Months



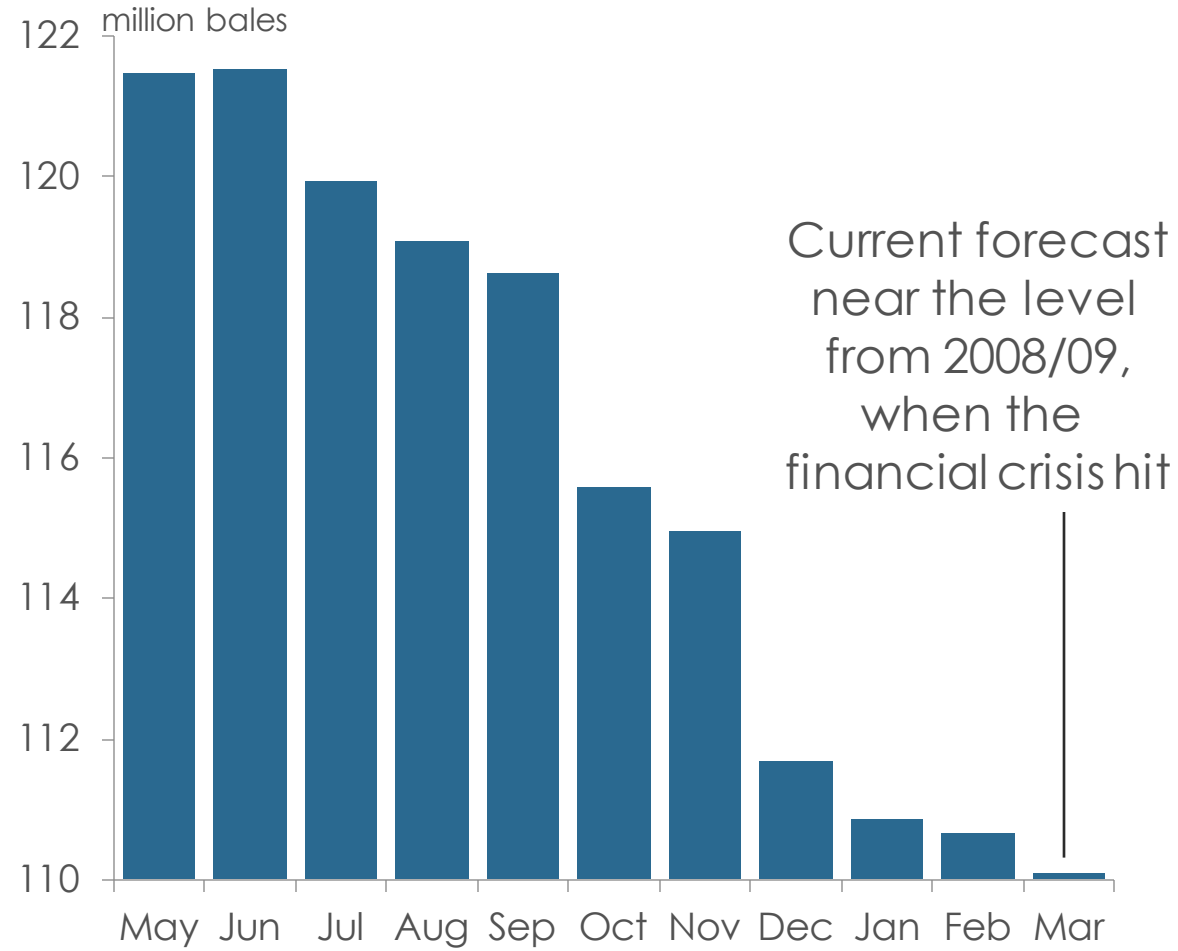
Source: USDA WAOB

Volatile Global Cotton Estimates

USDA Global Production Estimates Released in Different Months



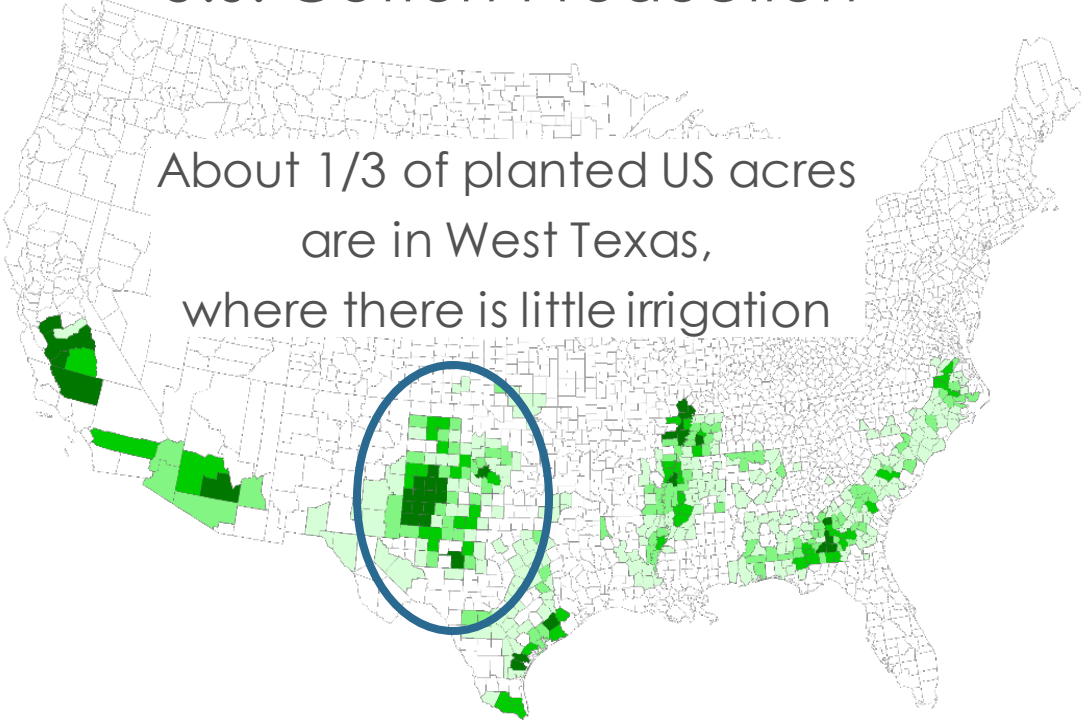
USDA Global Mill-Use Estimates Released in Different Months



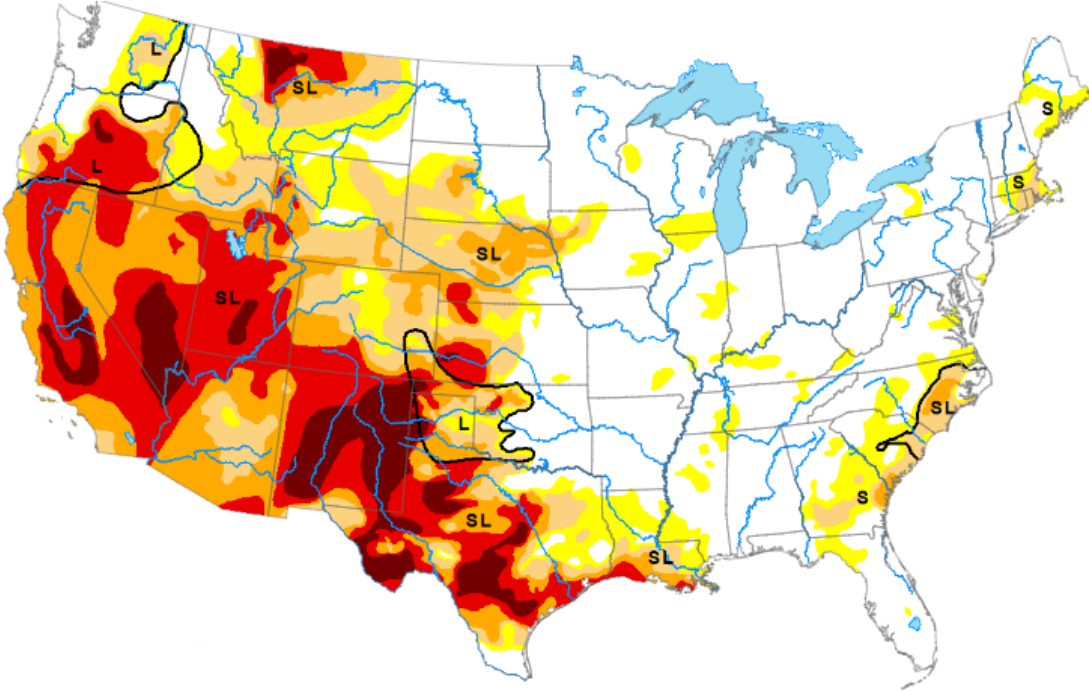
Source: USDA WAOB

Volatile U.S. Cotton Estimates

U.S. Cotton Production

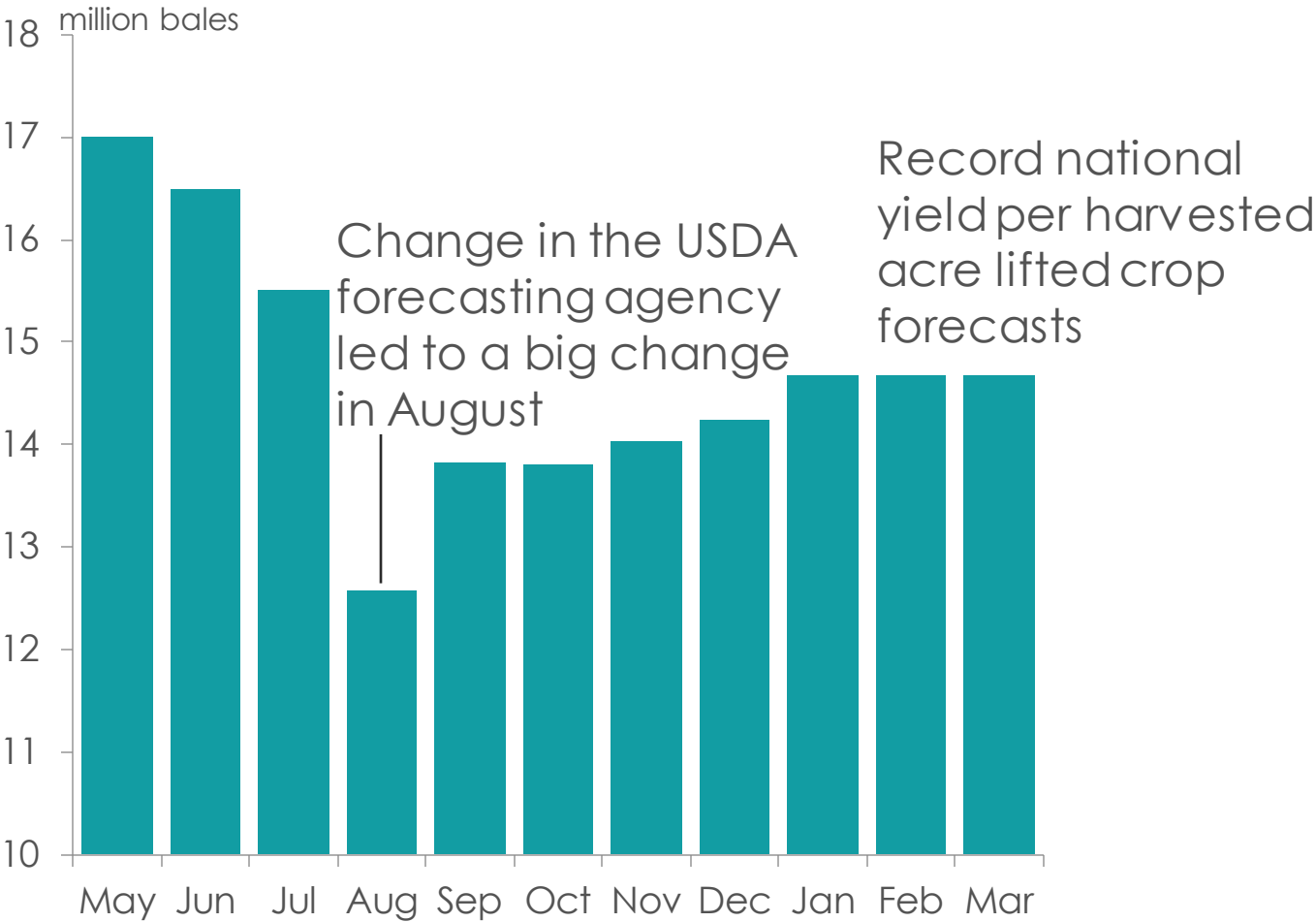


U.S. Drought Conditions (Aug. 2022)



Volatile U.S. Cotton Estimates

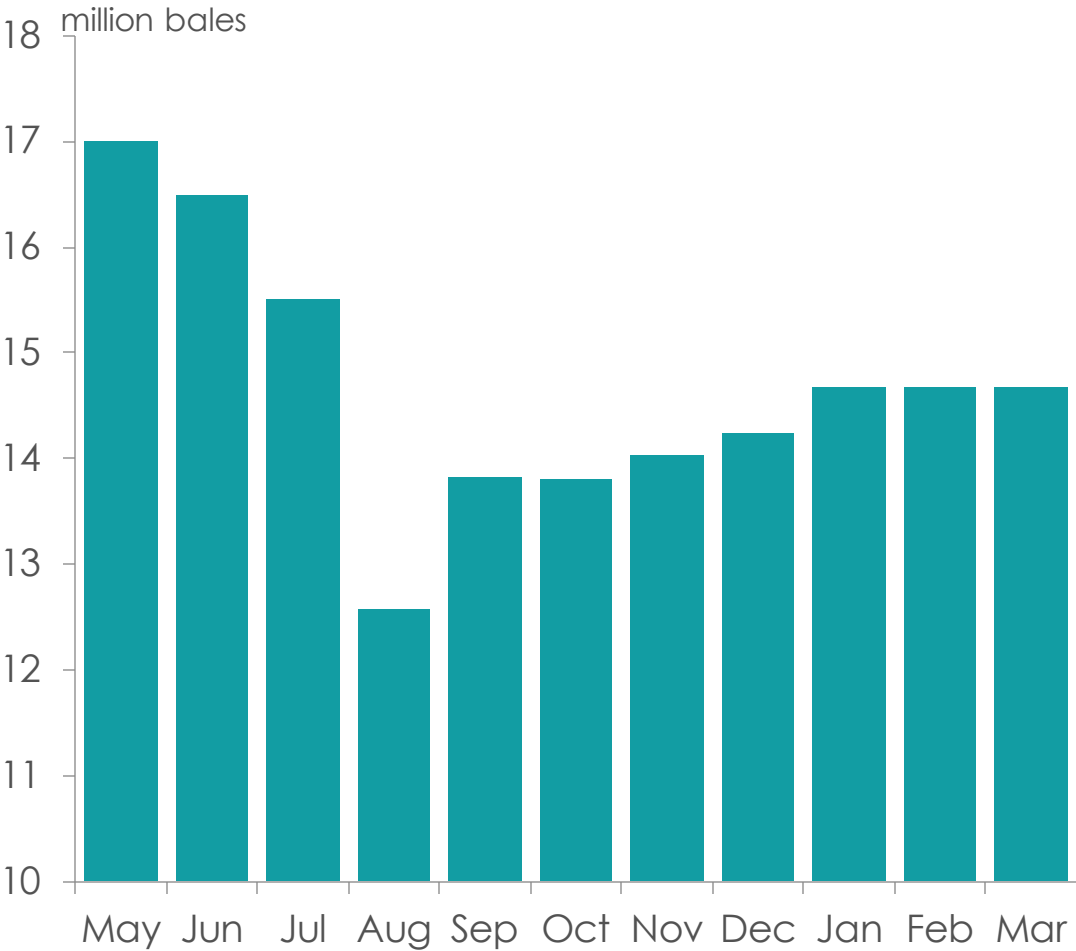
USDA U.S. Production Estimates
Released in Different Months



Source: USDA WAOB

Volatile U.S. Cotton Estimates

USDA U.S. Production Estimates
Released in Different Months



Terminology for Counting Cotton

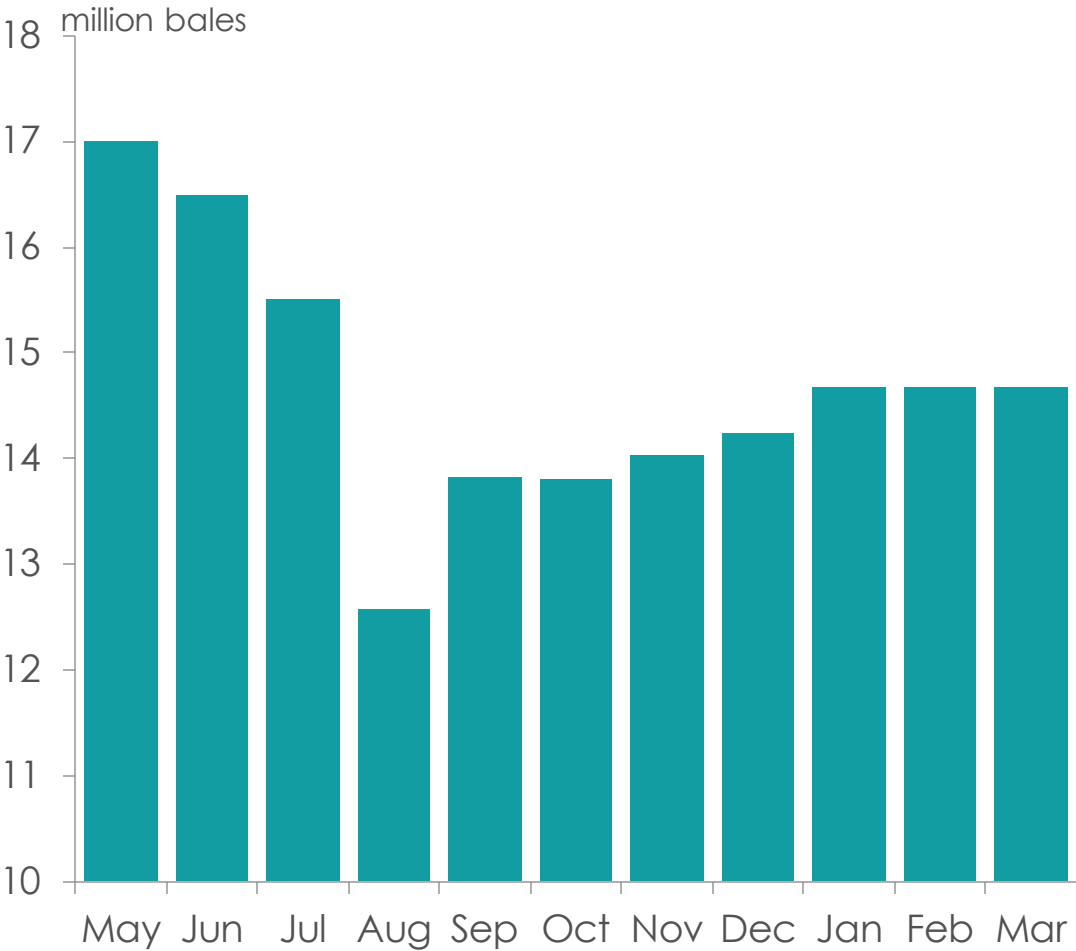


Stocks are cotton in storage

Source: USDA WAOB

Volatile U.S. Cotton Estimates

USDA U.S. Production Estimates
Released in Different Months



Terminology for Counting Cotton



Beginning Stocks are cotton in storage at the start of a crop year



Production is the harvest



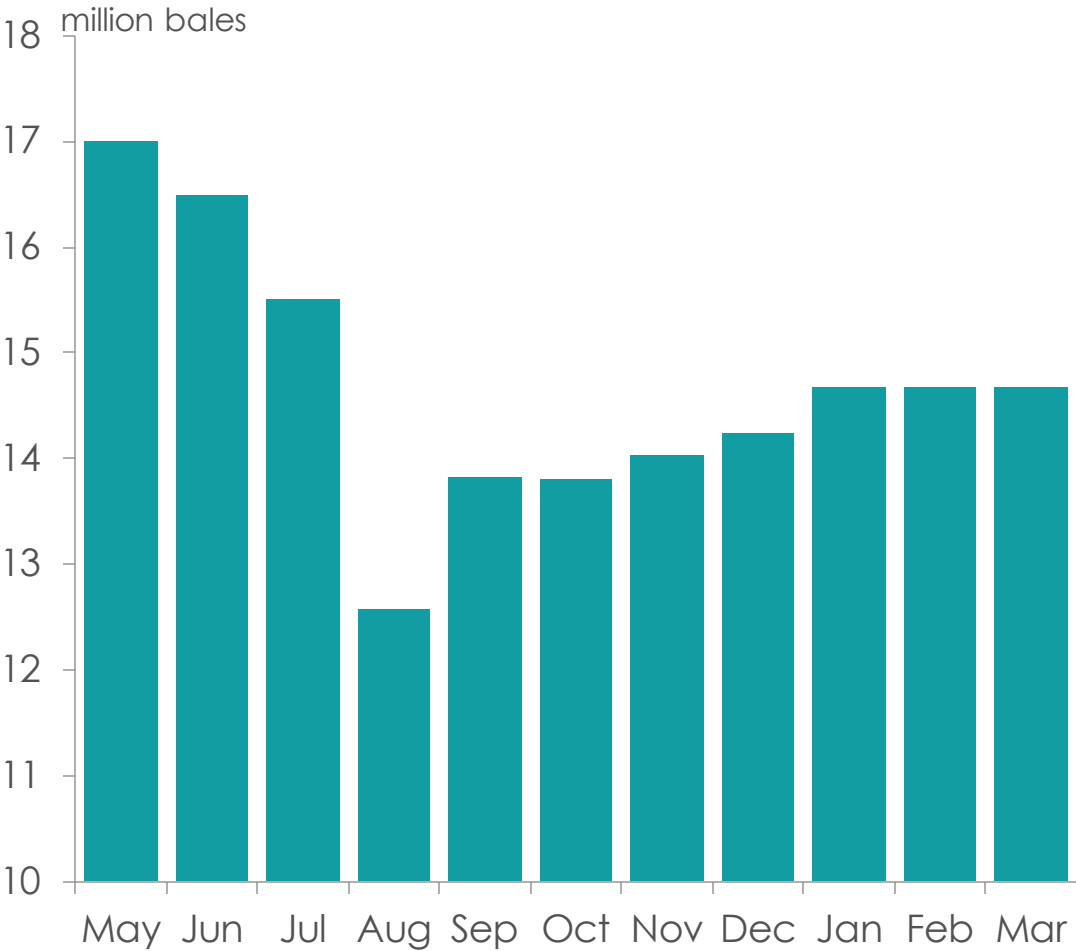
Imports

Supply is the sum of beginning stocks + production + imports

Source: USDA WAOB

Volatile U.S. Cotton Estimates

USDA U.S. Production Estimates
Released in Different Months



Terminology for Counting Cotton



Beginning Stocks



Production



Imports

Supply is the sum of beginning stocks + production + imports



Mill-Use



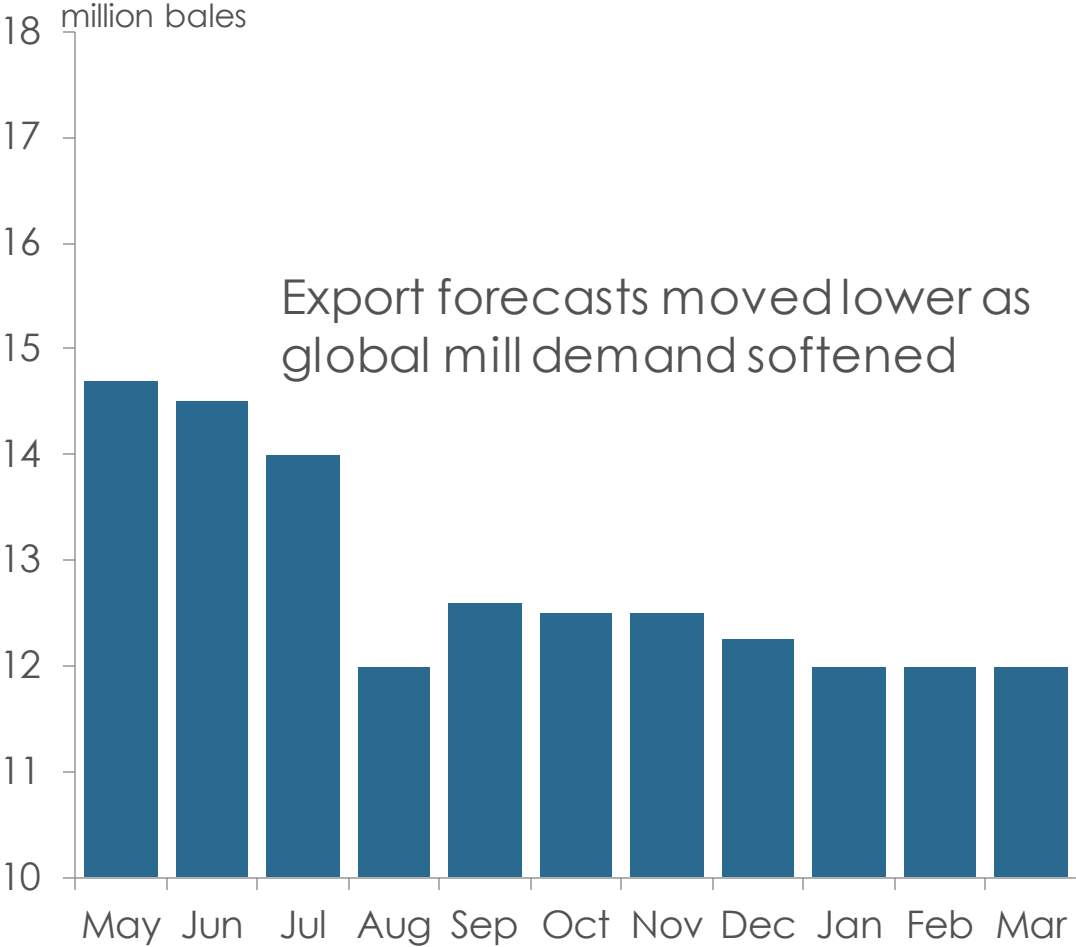
Exports

Demand is the sum of mill-use + exports

Source: USDA WAOB

Volatile U.S. Cotton Estimates

USDA U.S. Export Estimates
Released in Different Months



Terminology for Counting Cotton



Beginning Stocks



Production



Imports

Supply is the sum of beginning stocks + production + imports



Mill-Use



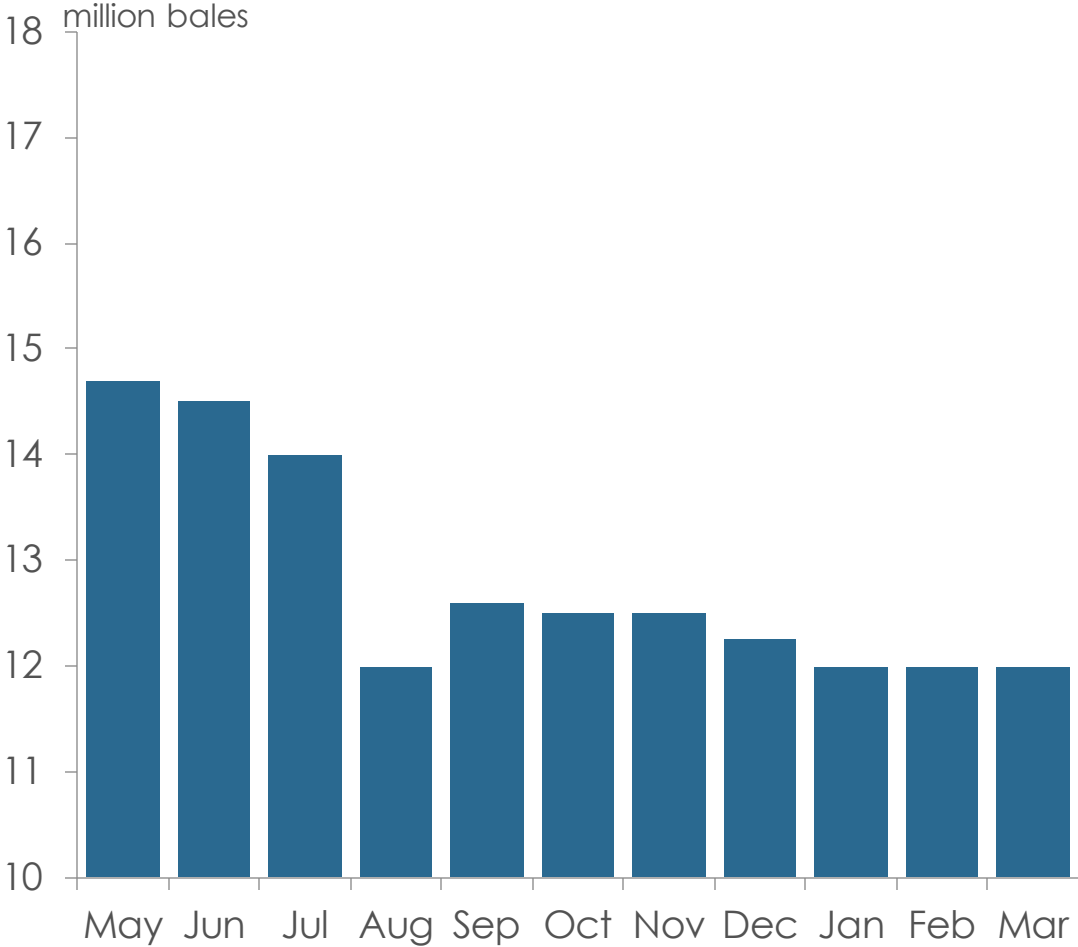
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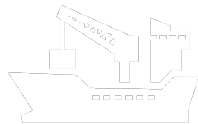
Source: USDA WAOB

Volatile U.S. Cotton Estimates

USDA U.S. Export Estimates
Released in Different Months



Terminology for Counting Cotton

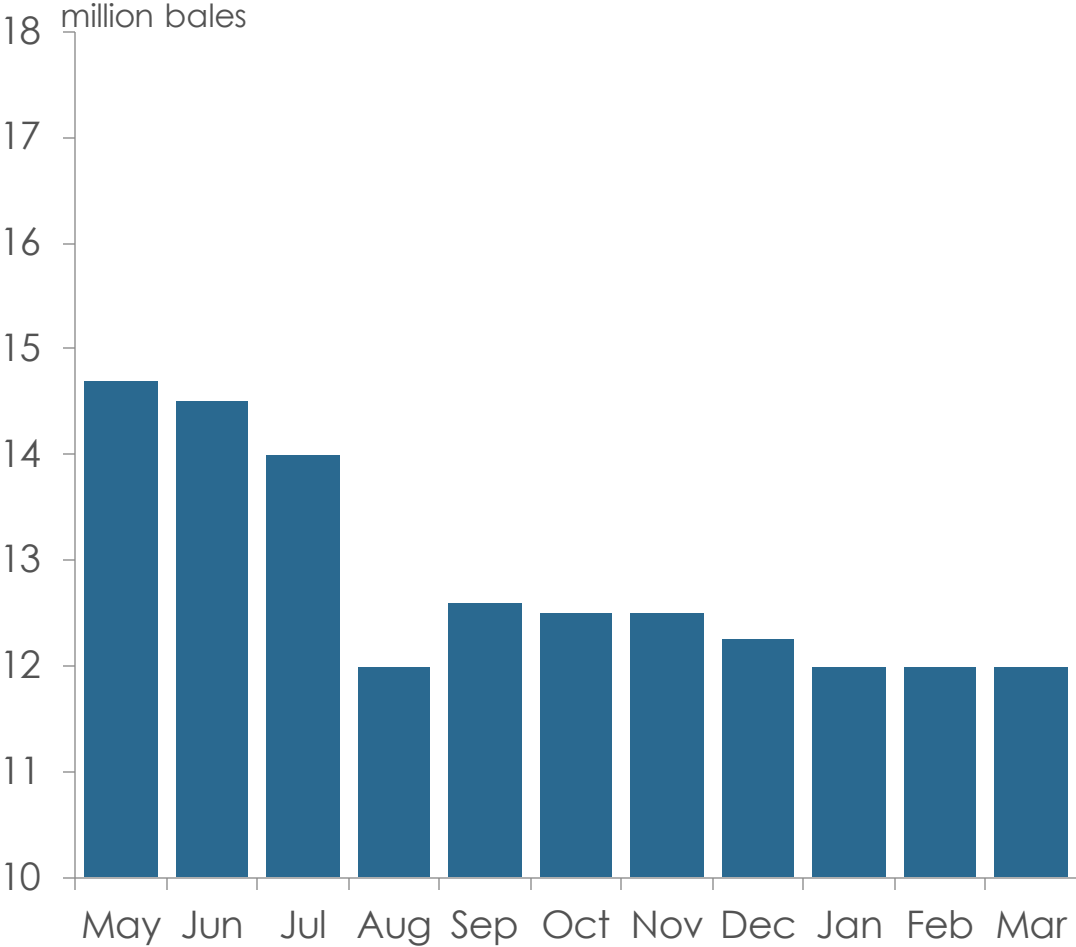


Supply is the sum of
beginning stocks
+ production
+ imports

Demand is the
sum of mill-use
+ exports

Volatile U.S. Cotton Estimates

USDA U.S. Export Estimates
Released in Different Months



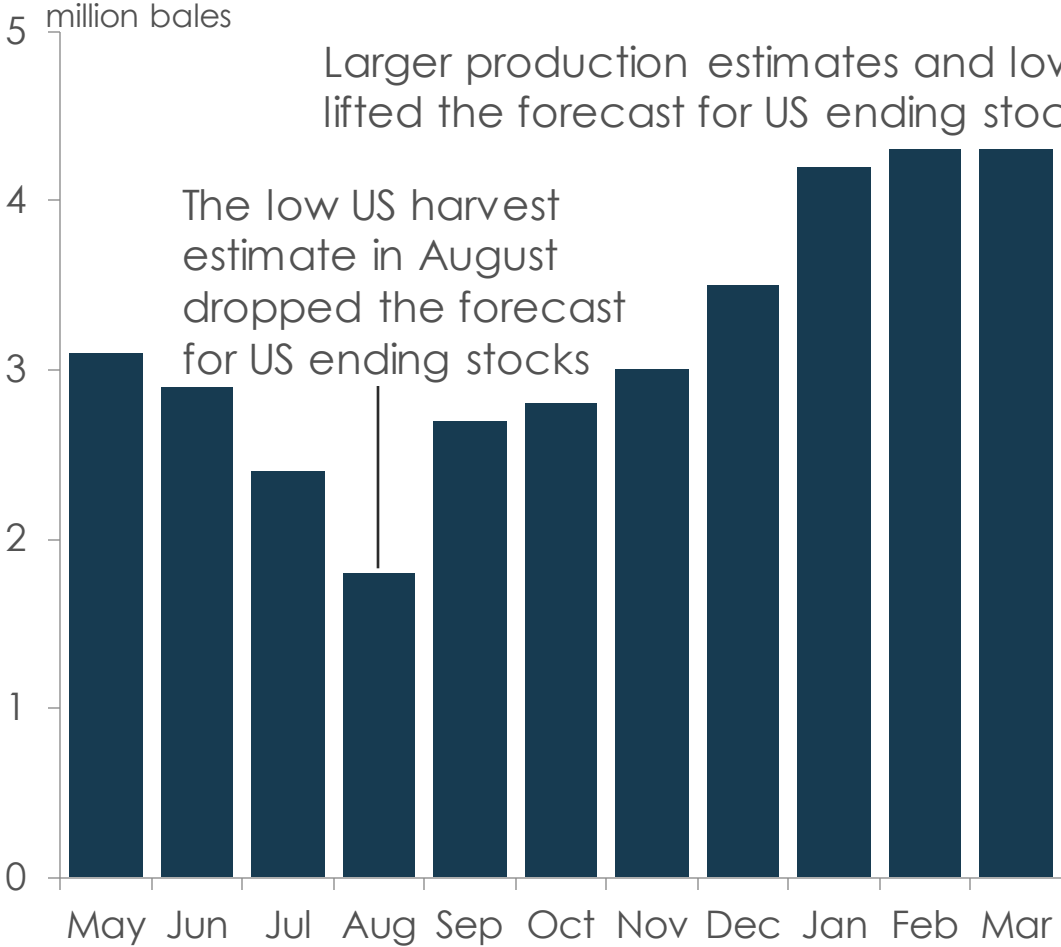
Terminology for Counting Cotton



Source: USDA WAOB

Volatile U.S. Cotton Estimates

USDA U.S. Ending Stock Estimates Released in Different Months



Terminology for Counting Cotton



Source: USDA WAOB

Questions Remain

Uncertainty about the direction of the global economy means uncertainty about demand

Has inflation been tamed?

Will the Federal Reserve continue to increase rates?

Are we headed into a recession or a recovery?

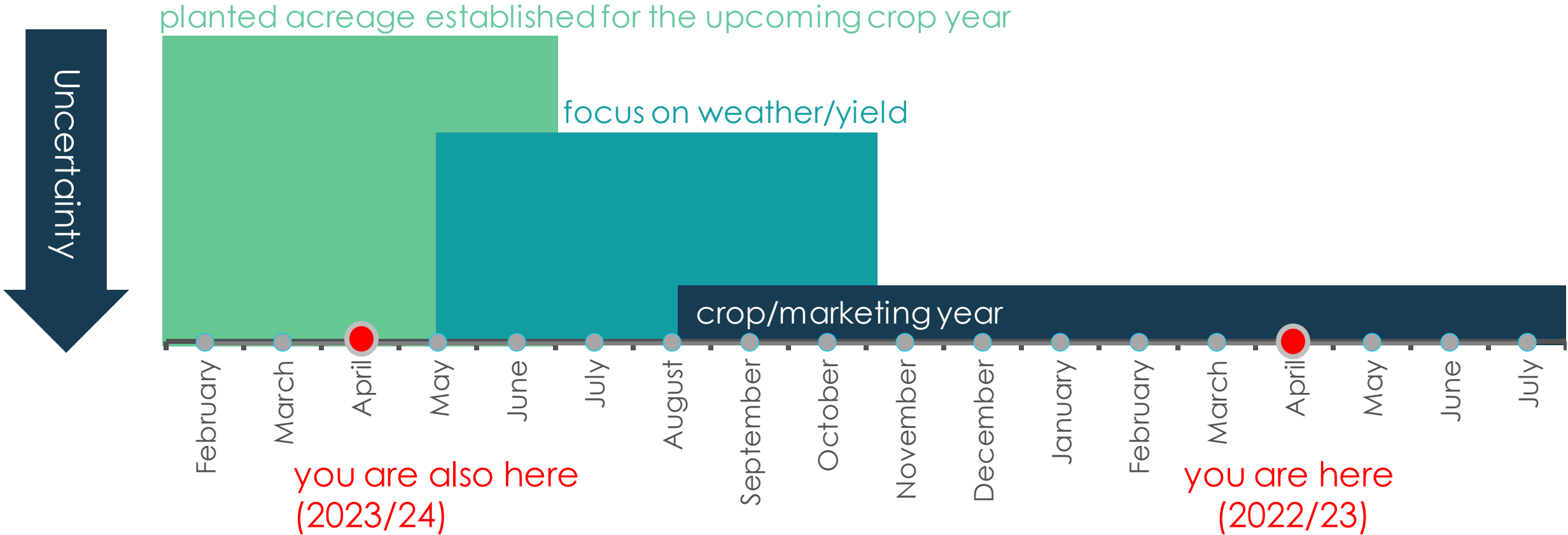


New Crop Year

Crop years are the timeframe for all supply/demand estimates

It is based on the seasonality of the northern hemisphere harvest (~85% of world's total)

Forecasts for an upcoming crop year are released in advance

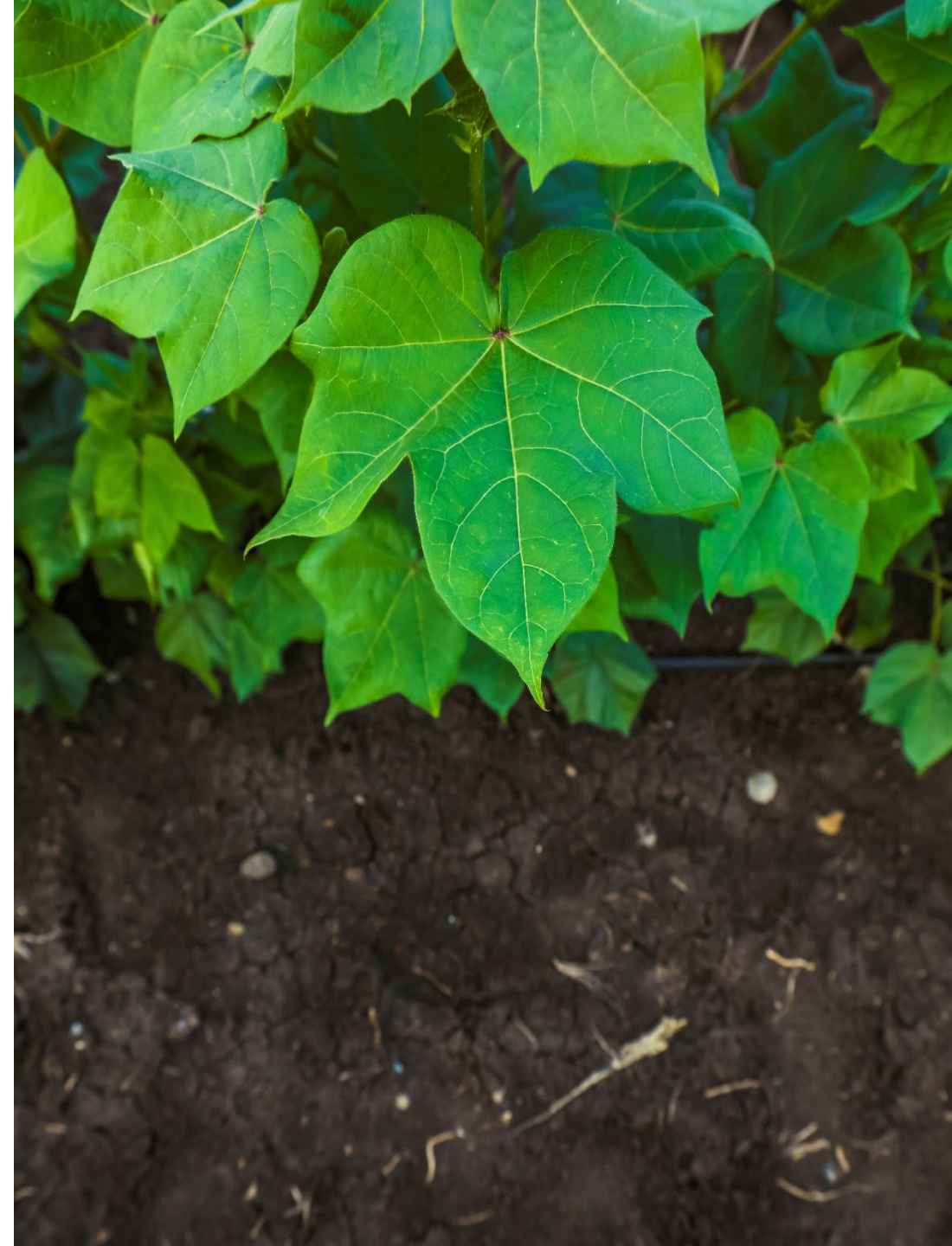


Planted Acres to Fall

Growers around the world typically have choices of which crop to plant

It varies by region, but cotton growers commonly can switch between cotton, corn, and soybeans

To forecast plantings, ratios of cotton prices to corn & soybean prices are commonly used



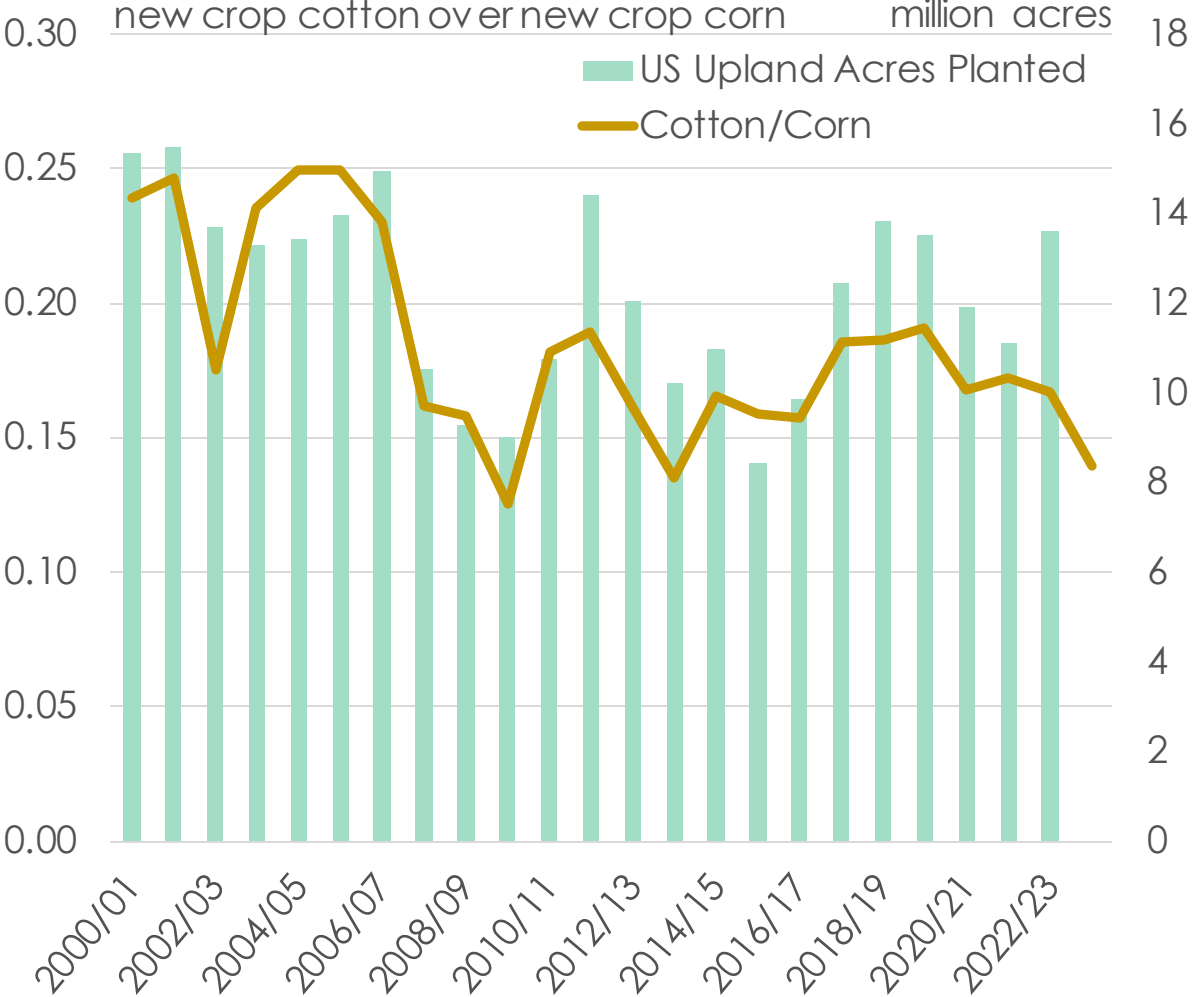
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US Upland Planted Acres & Cotton/Corn Ratio



Sources: Refinitiv, USDA NASS, Cotton Incorporated calculations

Planted Acres to Fall

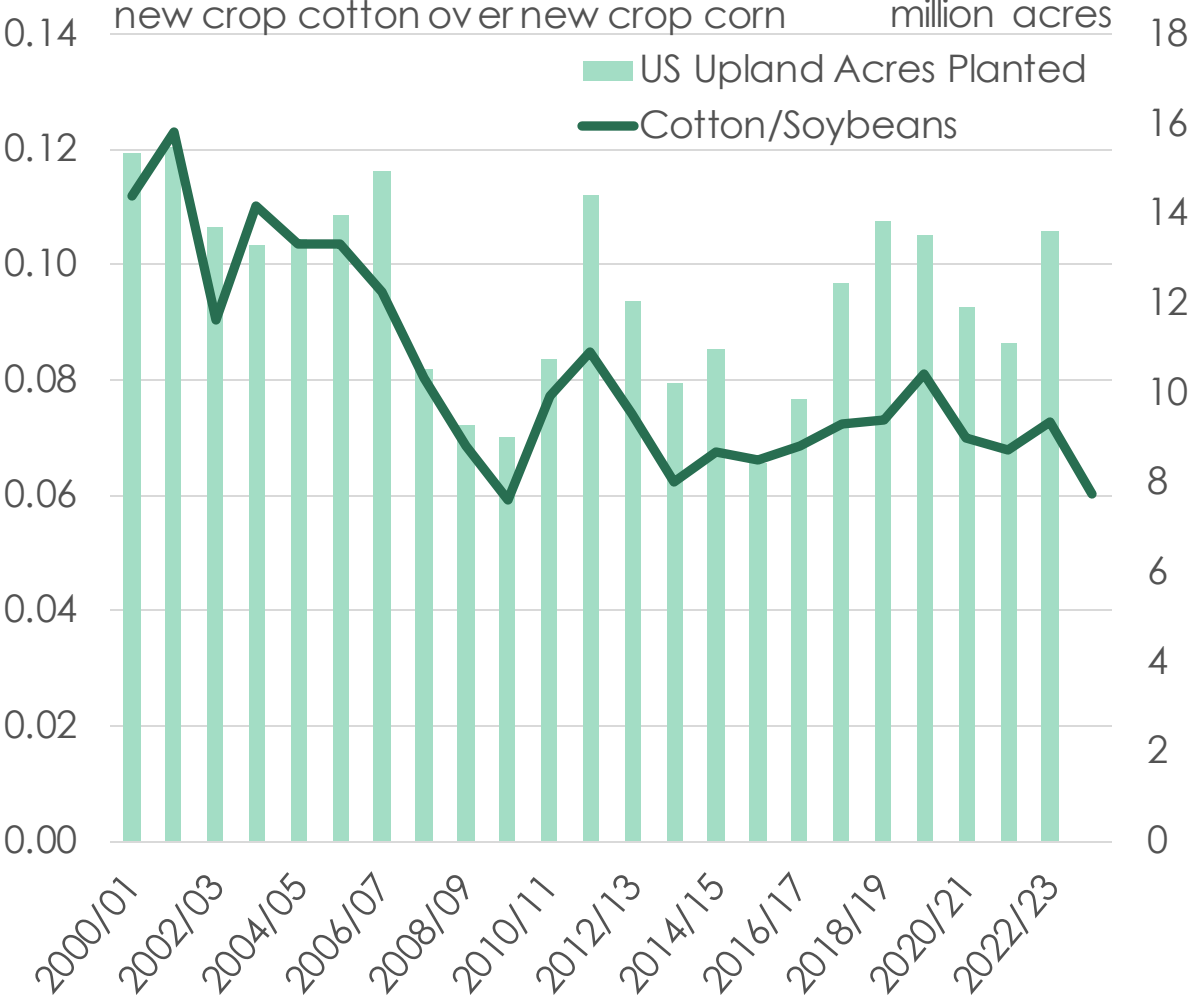
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Planted acres are not harvested acres, better weather can mitigate lower plantings

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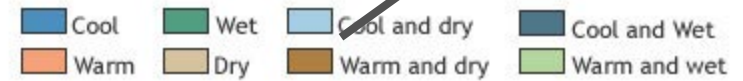
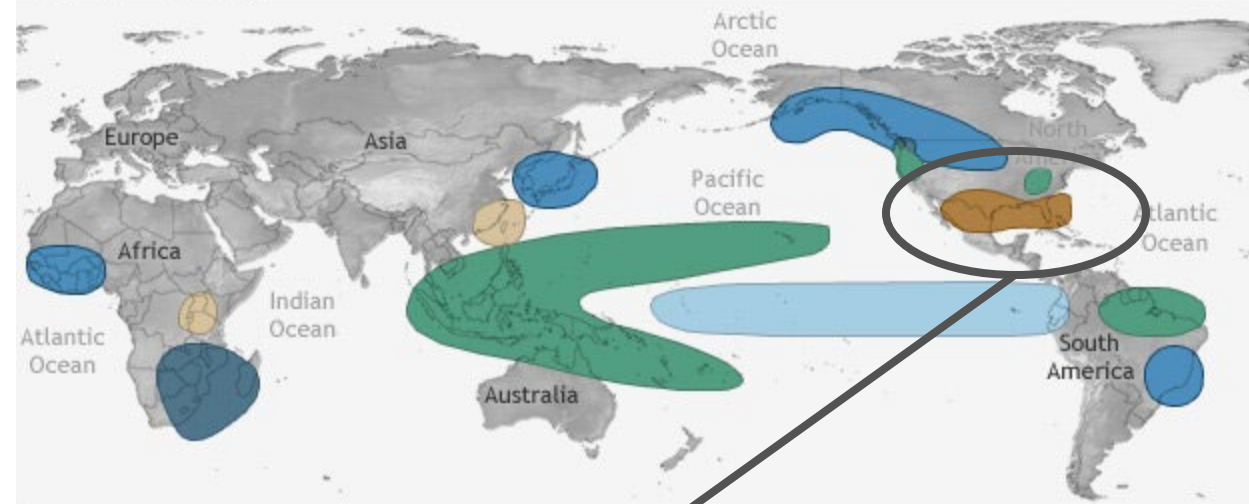
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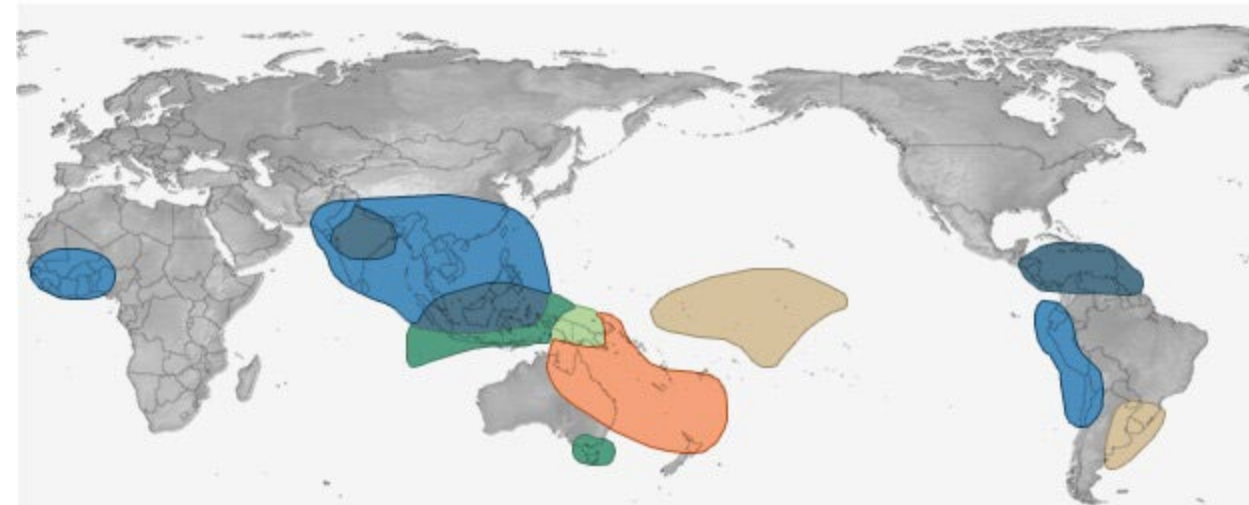
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LA NIÑA CLIMATE IMPACTS

December-February



June-August



Planted Acres to Fall

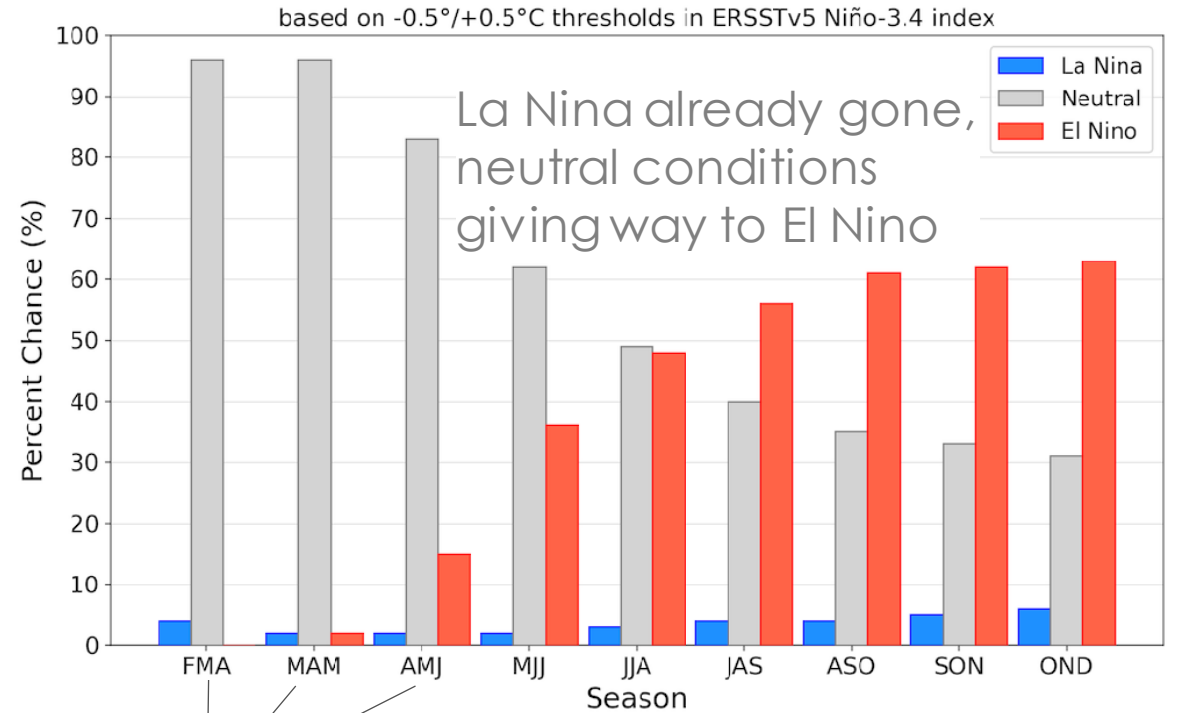
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Official NOAA CPC ENSO Probabilities (issued Mar. 2023)



Abbreviations for months

Planted Acres to Fall

Growers around the world typically have choices of which crop to plant

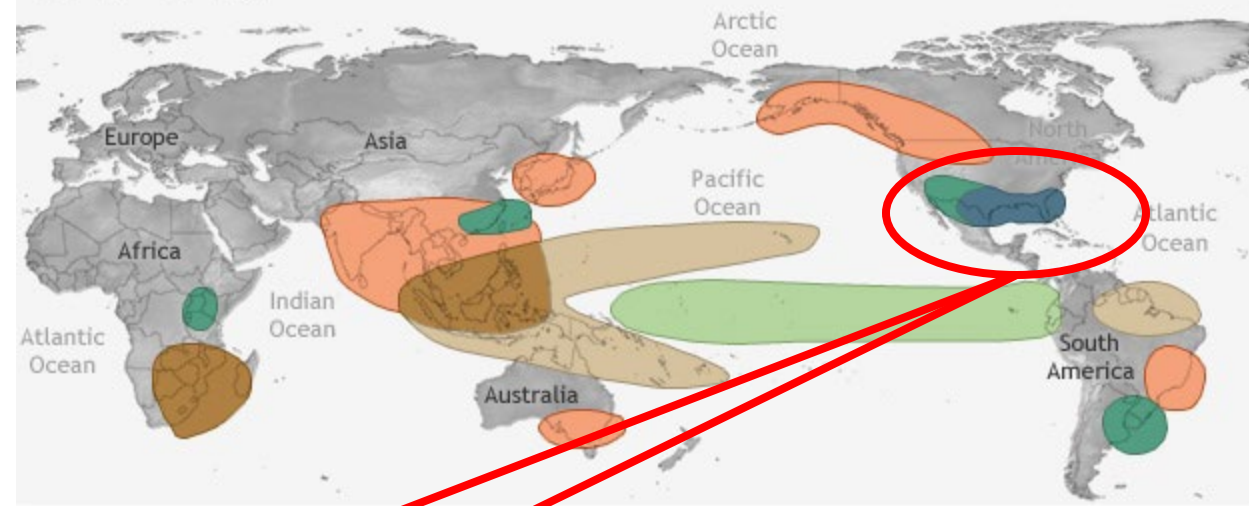
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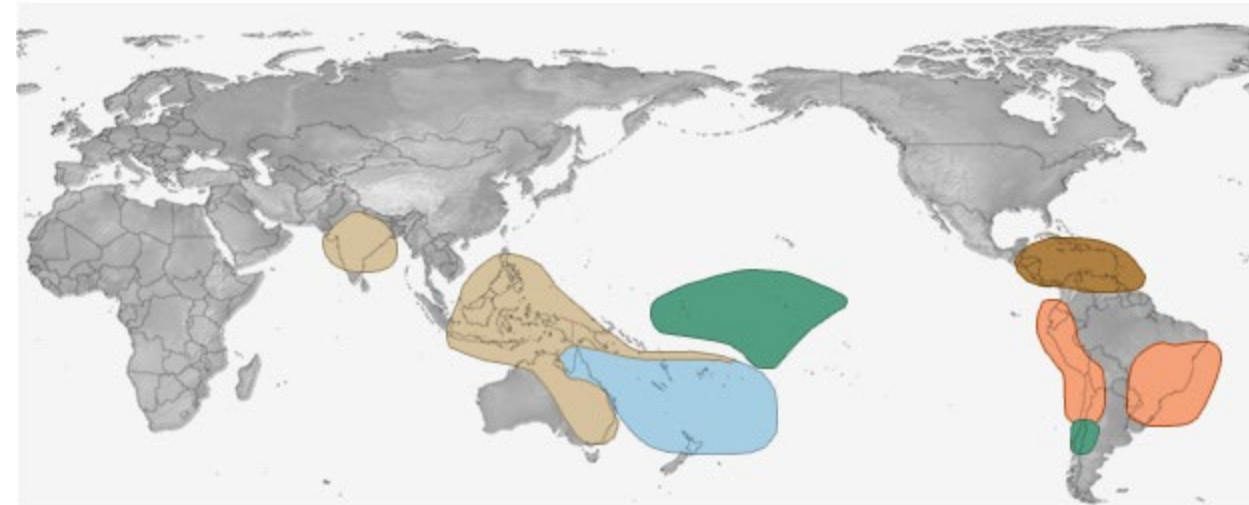
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EL NIÑO CLIMATE IMPACTS

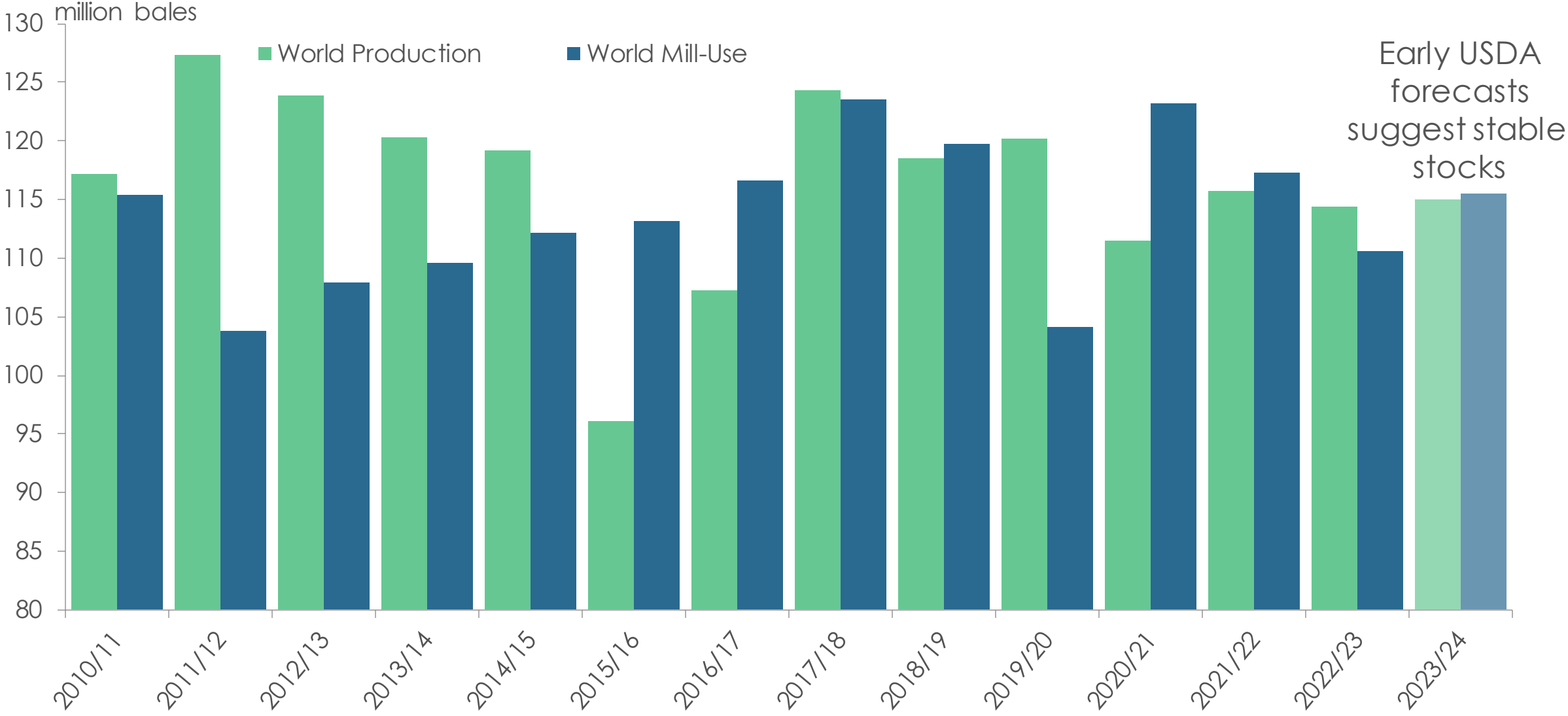
December-February



June-August



Early 2023/24 Forecasts Suggest Stability



Early USDA forecasts suggest stable stocks

Source: USDA WAOB

Where is the Economy Headed?

The IMF updates forecasts for global GDP growth each quarter

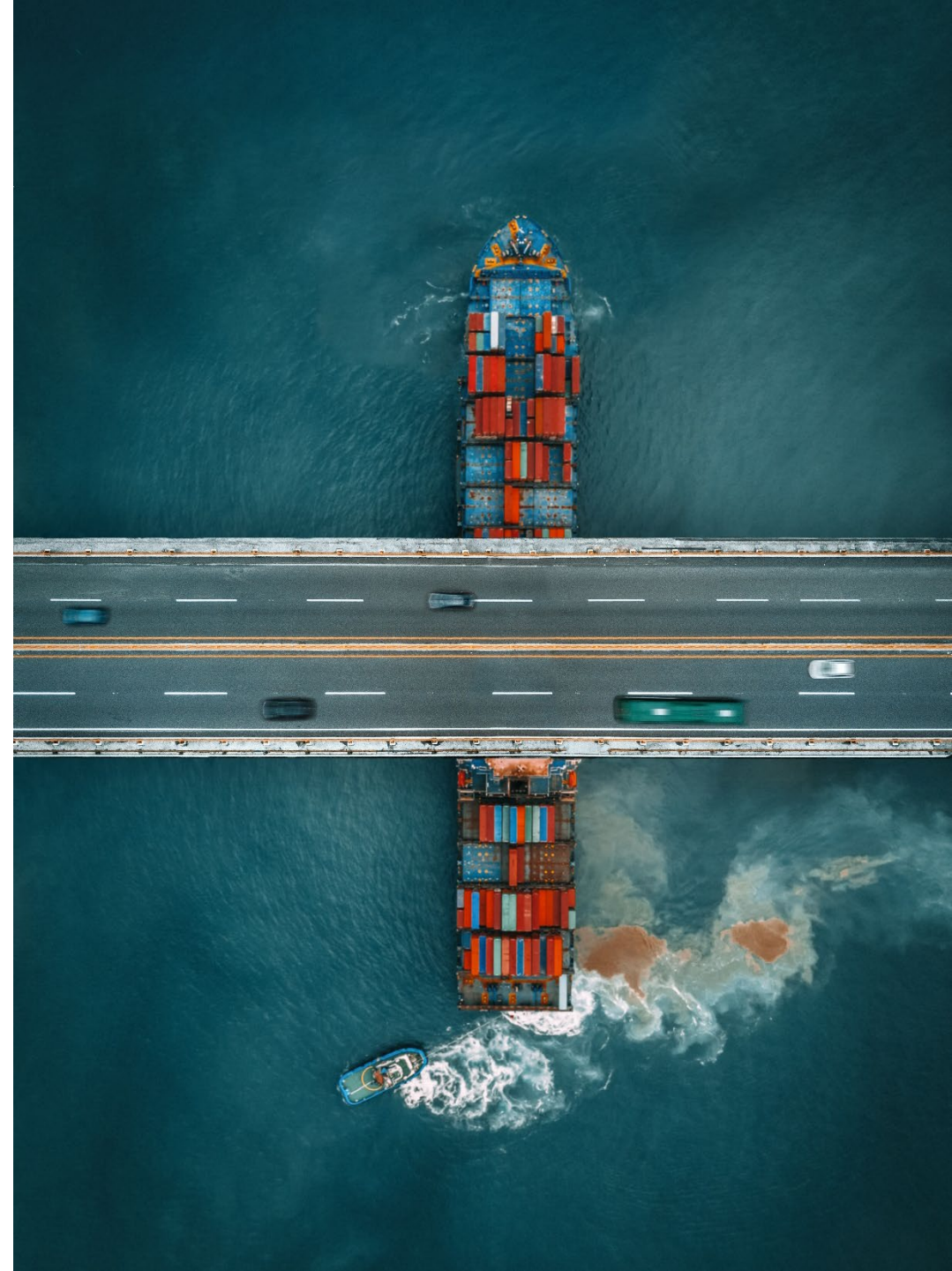
Revisions were negative throughout 2022

In early 2023, the IMF increased forecasts for global GDP in 2023 and 2024

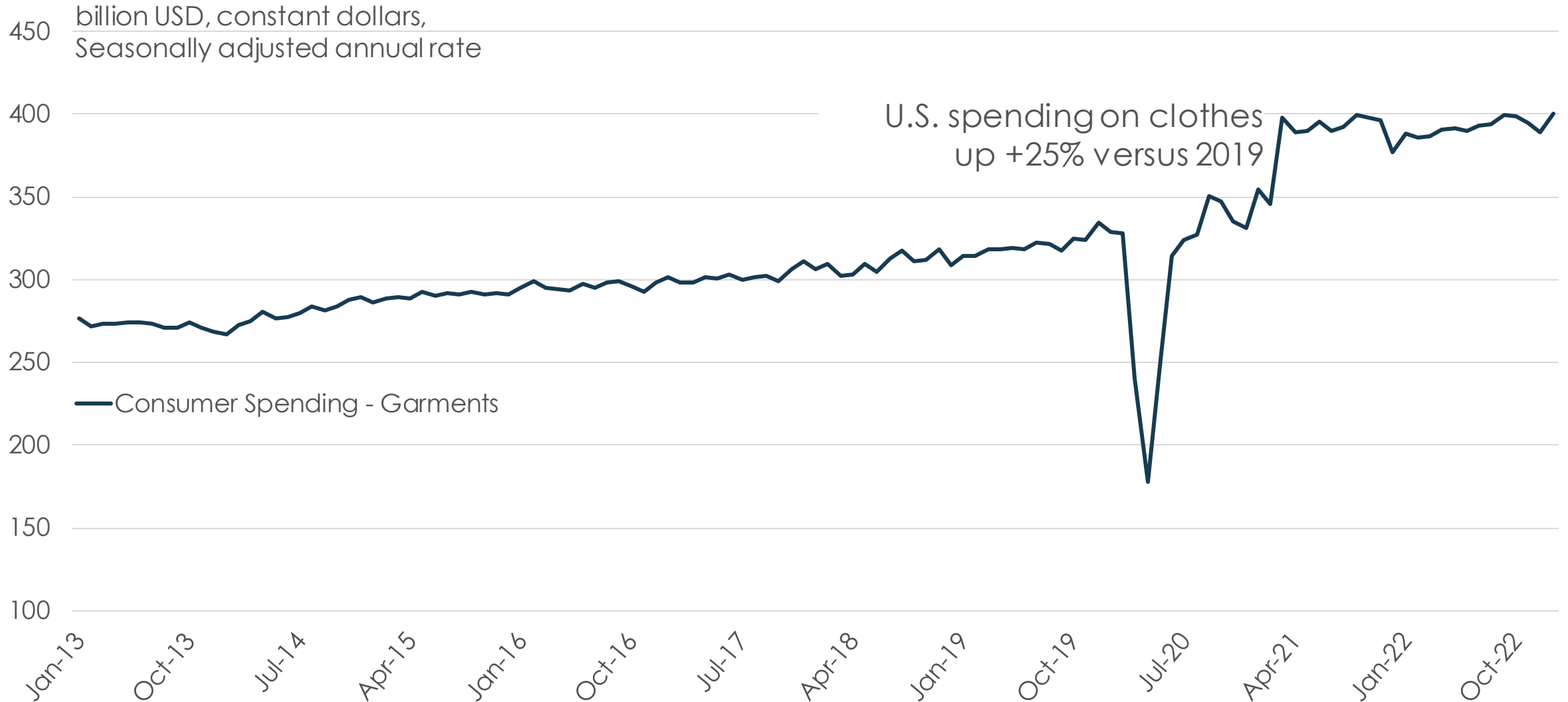
Inflation has been inconsistent

Federal Reserve expected to continue to increase rates

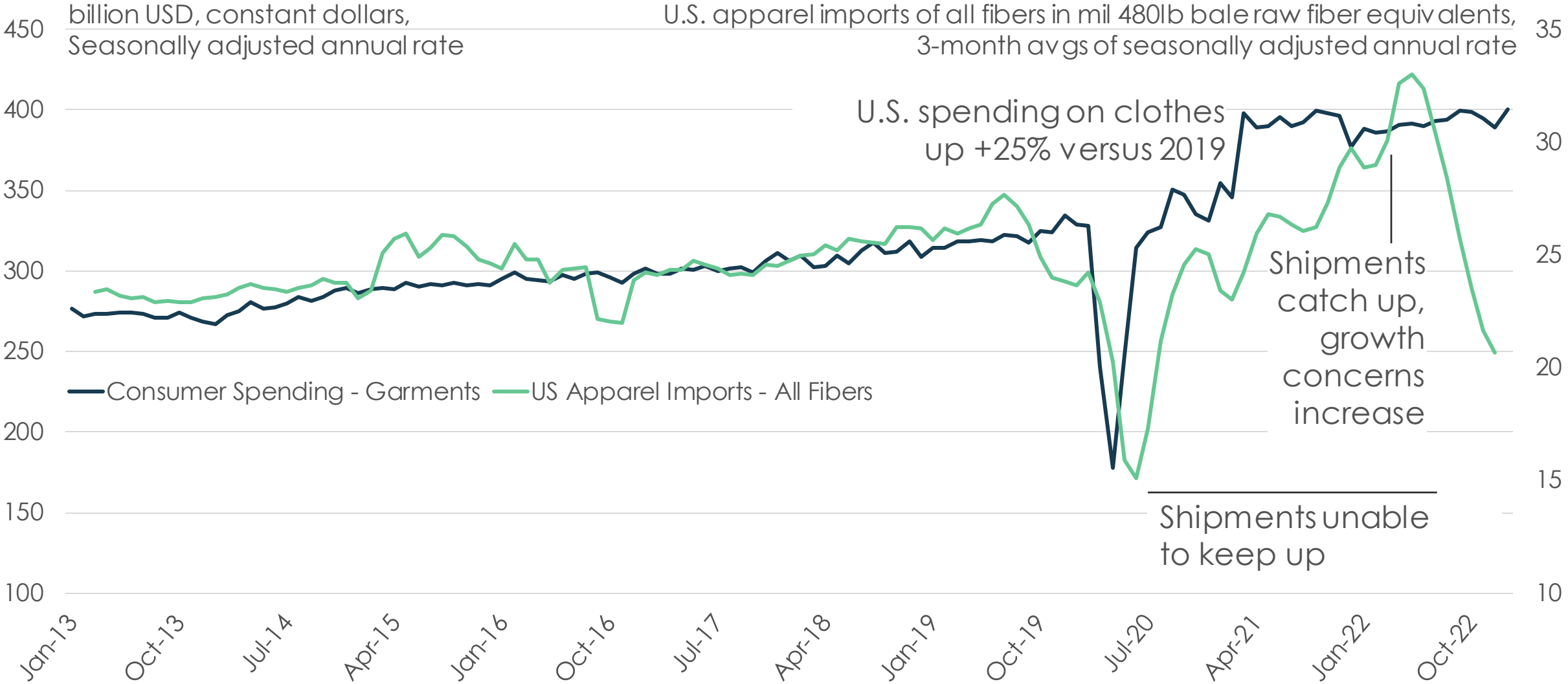
Labor markets and consumers have been more resilient than was feared



Downstream Demand



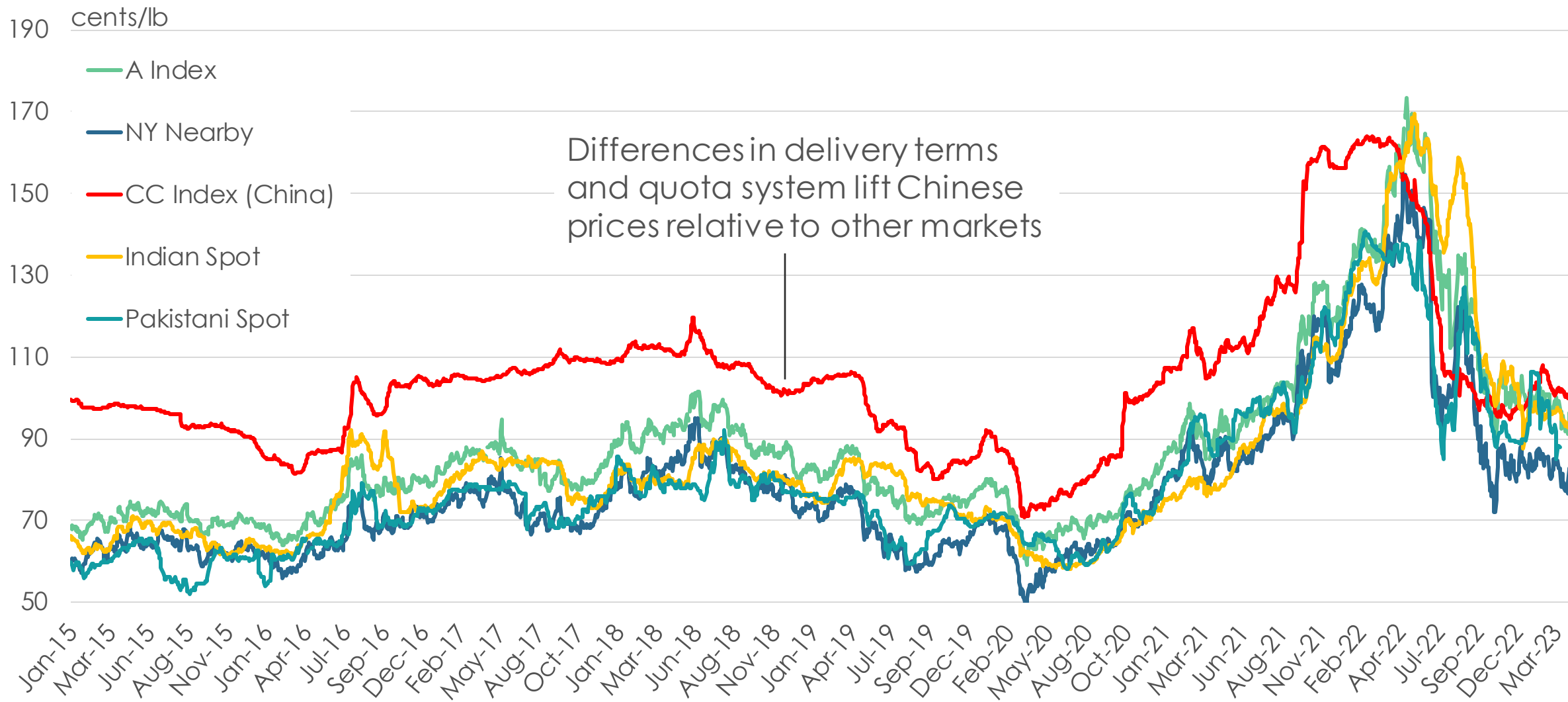
Downstream Demand



Sources: US BEA, Census, USDA ERS, Cotton Incorporated calculations

Mixed Up Market

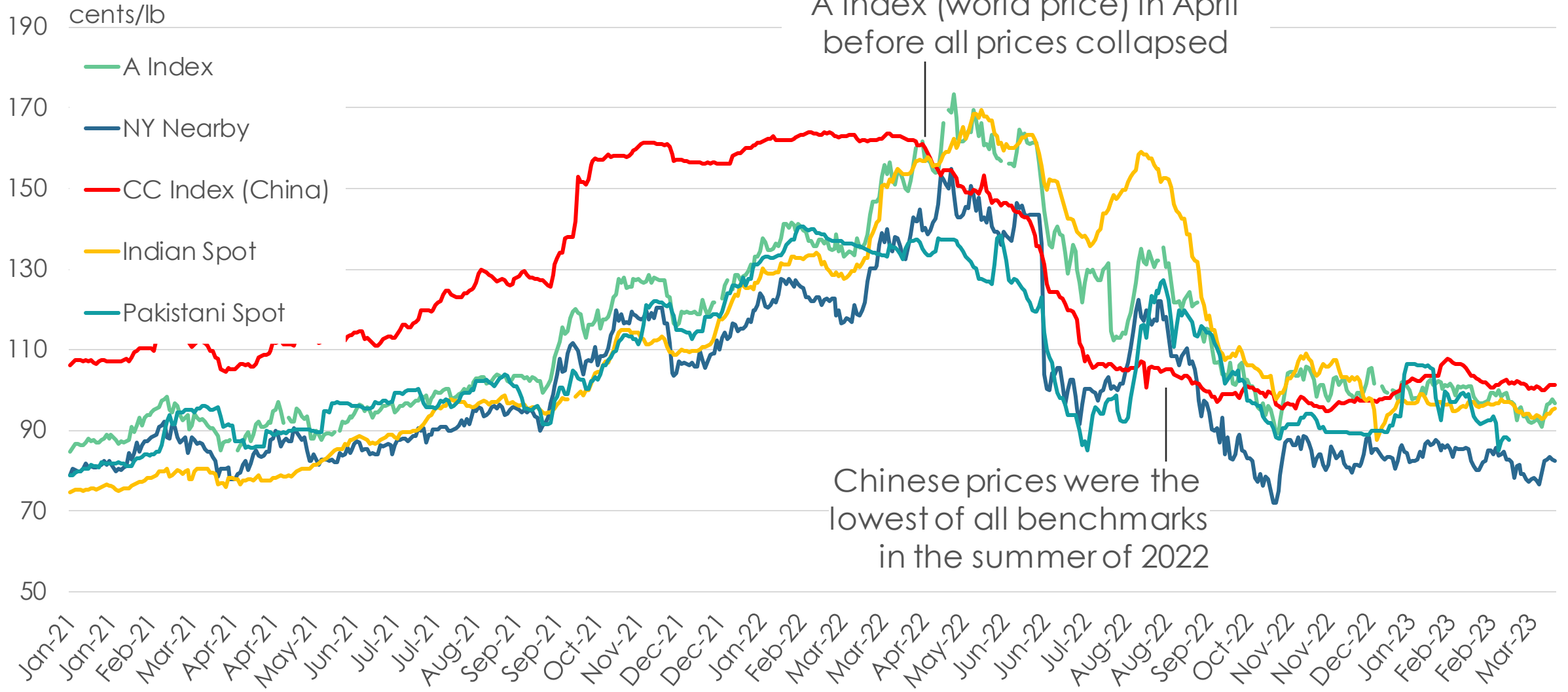
Historical price relationships disrupted



Differences in delivery terms and quota system lift Chinese prices relative to other markets

Mixed Up Market

Historical price relationships disrupted



Chinese Market Matters

China is the largest importer of cotton yarn

-56%
last six months

China traditionally is the largest importer of cotton fiber

+19%
last six months

Chinese Yarn Imports Over the Past Six Months

Vietnam **-38%**

Pakistan **-60%**

Uzbekistan **-85%**

India **-95%**

Forward Orders are Down

Commitment from U.S. for 2023/24

-46%

Imports in Recent Months are Down

-25% in Dec & Jan



2023/24 Market Outlook

Global market still digesting to major shocks, but volatility may be calming

Global production & mill-used expected to be nearly even – but it is early

Weather is a key unknown for production
The trajectory of economic growth is key for demand

Inventory adjustments may eventually lift demand

Mixed up cotton prices affecting shifts in fiber and yarn trade



News

[Home](#) > [News](#) > [Monthly Economic Letter: March 2023](#)

Monthly Economic Letter: March 2023

POSTED ON MARCH 10, 2023



Cotton Market Fundamentals & Price Outlook

Recent Price Movement

Most cotton benchmarks moved slightly lower over the past month.

- The May NY/ICE contract tested the lower end of its range between 78 and 88 cents/lb, which has held values since November. After failing to break below 80 cents/lb in the middle of February, prices rebounded to levels near 85 cents/lb before the end of last month and have traded between 82 and 85 cents/lb through early March.
- Prices for the December NY/ICE contract, reflecting market expectations for the 2023/24 crop year, dipped to values near 82 cents/lb in the middle of February but otherwise traded sideways near 85 cents/lb for most of the past month.
- The A Index was relatively stable near one dollar for much of the past month, but shifted to values below 100 cents/lb since the middle of February.
- Chinese prices represented by the China Cotton Index (CC 3128B) decreased from early February to early March (from 107 to 101 cents/lb), erasing most of the gains made in the previous month. In terms of RMB/ton, values eased from 15,900 to 15,600. The RMB weakened against the USD over the past month, from 6.78 to 6.93 RMB/USD.
- Indian spot prices (Shankar-6 quality) increased slightly over the past month, from 94 to 97 cents/lb. In terms of INR/candy, values rose from 61,500 to 62,400. The INR traded held at levels near 82 INR/USD.

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