



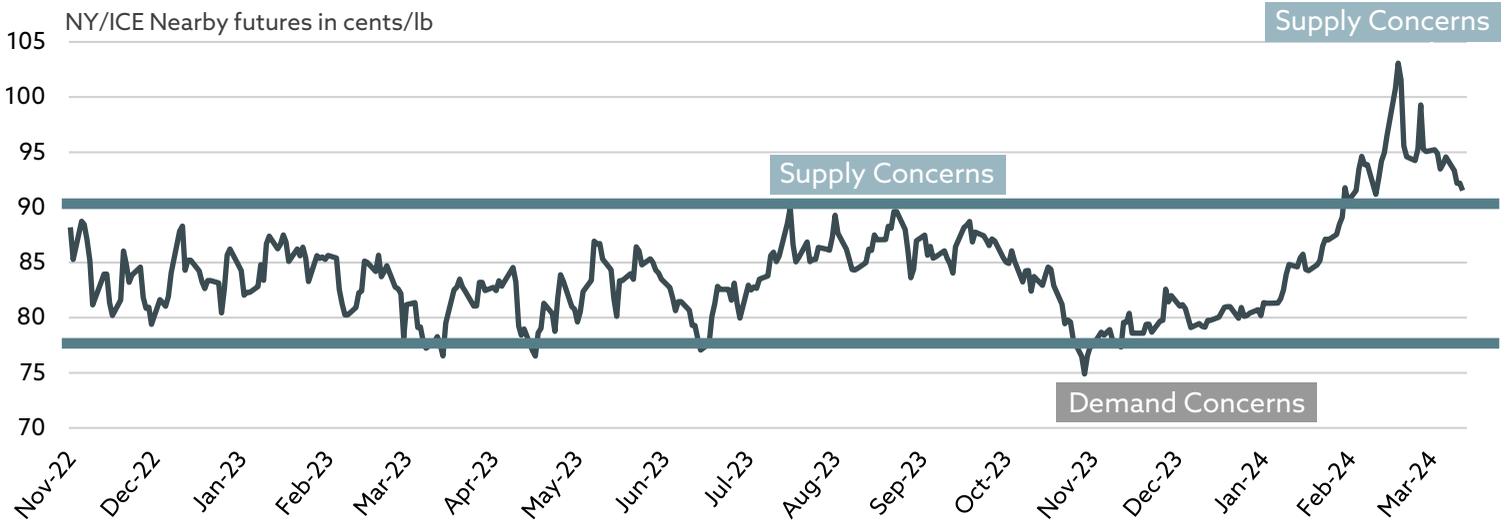
COTTON INCORPORATED'S SUPPLY CHAIN INSIGHTS

COTTON PRICES: WILL THEY HOLD UP?



Learn the reasons why cotton prices surged in recent weeks and explore the outlook for the market in coming months.

COTTON PRICES



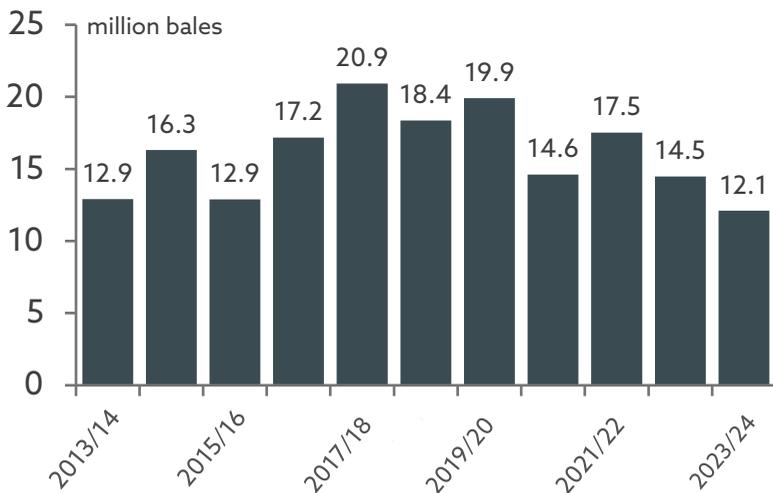
Cotton prices were range-bound for more than a year. That range held against alternating challenges based on concerns about lower supply and sluggish demand before breaking higher.

SUPPLY CONCERNS: SMALL U.S. CROP

U.S. production is concentrated in West Texas. This area is dry and most cotton in the region is not irrigated.

Because cotton is drought-tolerant, it is the only major agricultural option in West Texas. However, it needs some moisture to grow, and the region has had several years of drought.

U.S. Cotton Production

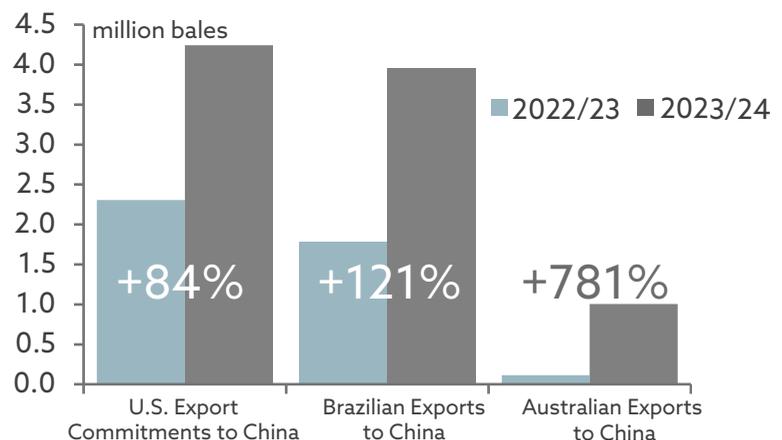


CHINESE BUYING

Aggressive buying from China locked up exportable supply from U.S., Brazil, and Australia.

Purchases from China are associated with the Chinese government's reserve system. The reserve system sold cotton from July to November and has been buying imports to replenish that inventory.

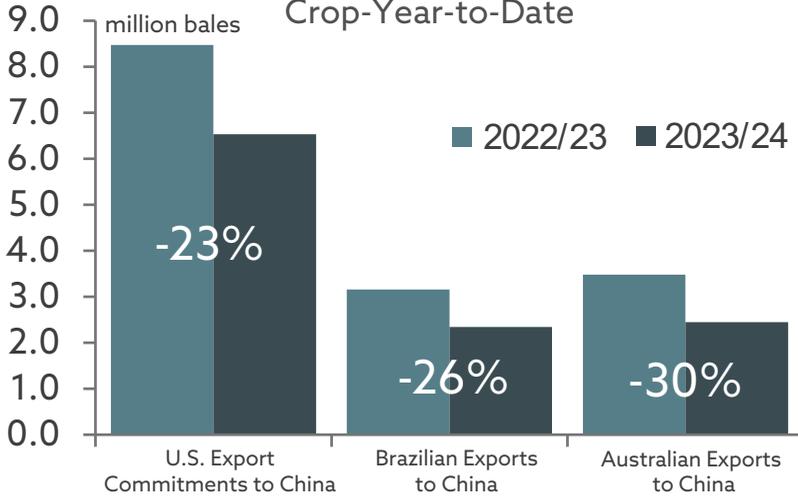
Export Demand from China
Crop-Year-to-Date



DEMAND CONCERNS: SLOW BUYING OUTSIDE CHINA

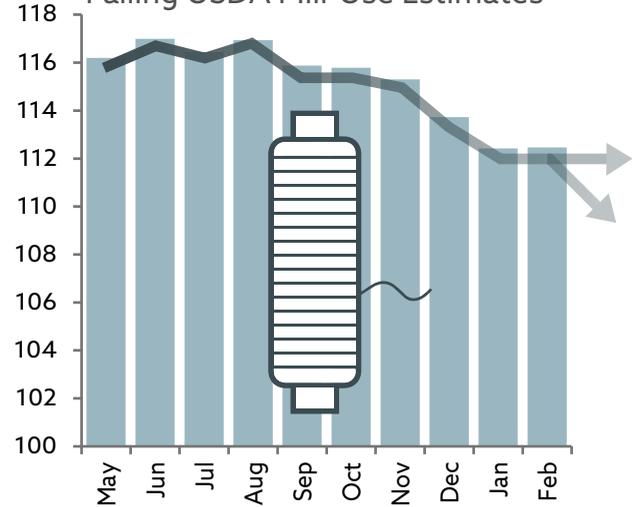
Purchases outside of China are driven more by mill-demand, and the steep year-over-year decreases indicate global mill purchasing has been weak this crop year.

Export Demand Outside of China
Crop-Year-to-Date



The USDA releases the first official estimates for a crop year in May. As the crop year has progressed, forecasts for global cotton mill-use have fallen due to slow downstream orders. It remains to be seen if downward trend has reached a bottom.

Falling USDA Mill-Use Estimates



LOOKING FORWARD

Cotton supply and demand is framed in terms of crop years that reflect the seasonality of the northern hemisphere harvest and run from August to July.

Acreage decisions are made in the winter and early spring. The recent surge in cotton prices can be expected to help bring in more acres for the upcoming 2024/25 crop year. Any additional production next crop year could calm concerns about limited exportable supply.

Planting decisions made for an upcoming crop year

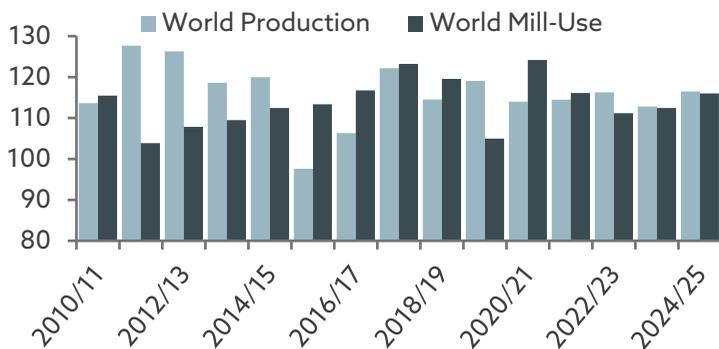
Period of most intense harvesting

2024/25 Crop Year (begins August 2024)

Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul

PRODUCTION & CONSUMPTION

In the upcoming 2024/25 crop year, the USDA expects production and mill-use to remain balanced but at slightly higher levels than the current crop year.



ECONOMIC & PRICE OUTLOOK



Inflation rates have moved lower, but price pressures remain higher than they were before COVID.



Interest rates in the U.S. and other markets are forecast to decrease in 2024, but are expected to remain well-above the average over the past 15 years.



Global economic growth is expected to pick up, but hold at slower rates than lower than those experienced ahead of the pandemic.

Both supply and demand are expected to move higher in 2024/25. Prices for delivery after the 2024/25 harvest are about 10% lower than prices for more immediate shipment.

