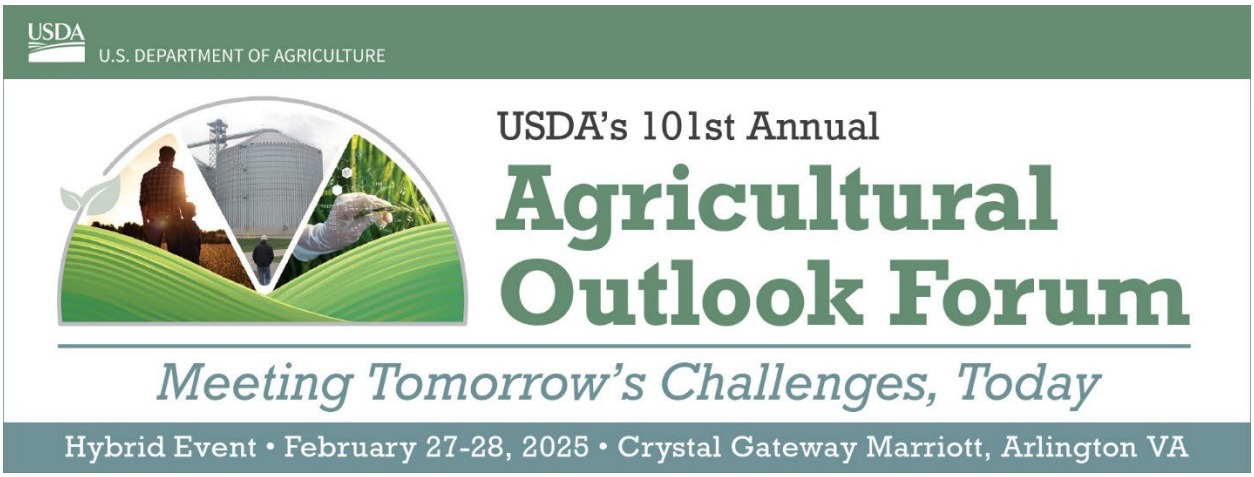

Cotton Outlook

Thursday, February 27, 2025

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Agricultural Outlook Forum 2025 Presented Friday, February 28, 2025

THE WORLD AND UNITED STATES COTTON OUTLOOK

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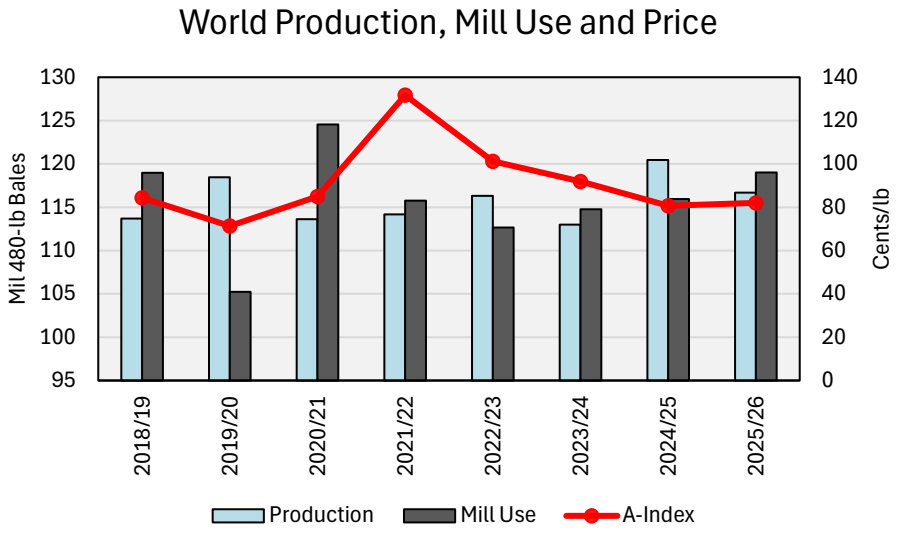
U.S. Department of Agriculture

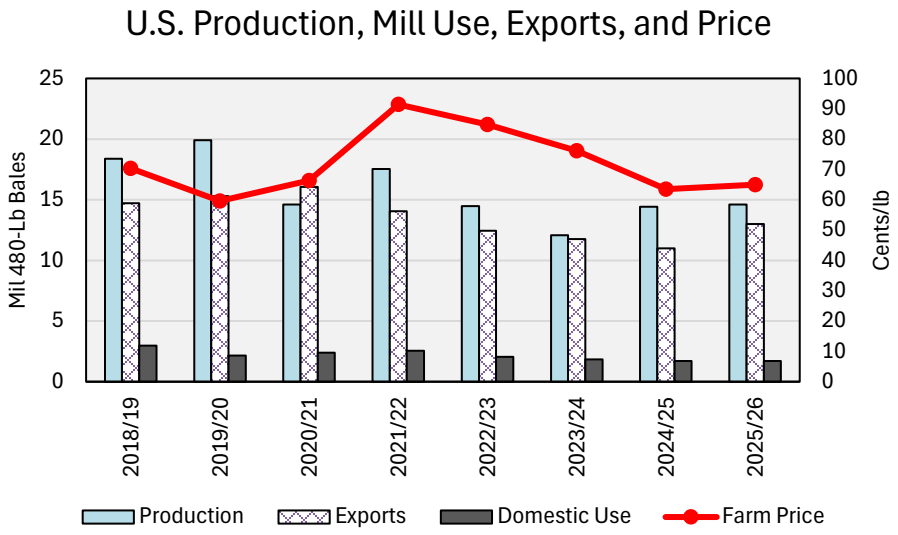
Introduction

In its first forecast for the 2025/26 marketing year, the U.S. Department of Agriculture (USDA) projects global cotton stocks will fall 2.3 million bales (480-lbs.) but remain at a level that will continue to pressure world cotton prices. However, low prices and solid economic growth will provide a boost to global cotton consumption which is projected to increase to 119 million bales, about 3 percent higher than 2024/25, with China accounting for about half of the expected growth. Even with this growth, cotton demand will still be below levels achieved almost 20 years ago as multiple economic disruptions (e.g., 2008 financial crisis, COVID-19) and competition from synthetic fibers have eroded cotton's market position. World cotton production is projected to fall over 3 percent to 116.7 million bales, with China accounting for about two-thirds of the decline. With stock levels weighing on the cotton market, low prices are expected to persist for another year. The A-Index is projected to average 82.0 cents per pound, an increase of 1.5 cents from 2024/25, as demand growth provides a small amount of support to cotton prices.



For the United States, low cotton prices, both in absolute terms and relative to competing crops, are expected to reduce 2025/26 all cotton planted area almost 11 percent to 10.0 million acres. Assuming abandonment of 16 percent and an average yield of 833 pounds per harvested acre, U.S. all-cotton production in 2025/26 is projected at 14.6 million bales, 1 percent larger than

2024/25. The forecast for domestic mill use is 1.7 million bales, unchanged from 2024/25 which was the lowest U.S. mill use since 1879/80. Exports are projected to rebound to 13.0 million bales, 2.0 million higher than 2024/25, based on higher world trade. However, this will not be sufficient for the United States to reclaim its accustomed spot as the world's largest cotton exporter as Brazil claims that title again in 2025/26. Ending stocks are expected to decline 2 percent to 4.8 million bales for a stocks-to-use ratio of near 33 percent, down from almost 39 percent in 2024/25.



World Cotton Situation, 2024/25

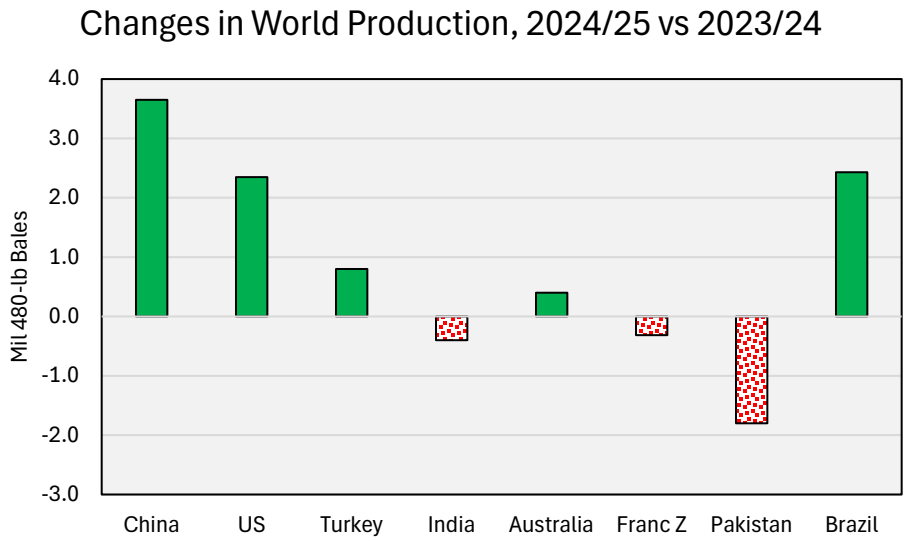
World Cotton Production, 2024/25

World cotton production in 2024/25 increased nearly 7 percent from the previous year to 120.5 million bales, the highest in 7 years. Low cotton prices brought area down in a few countries but was more than offset by weather-driven production increases in China and the United States, and continued growth in Brazil's cotton area. Yield changes were mixed with lower yields in Pakistan, Australia, Brazil, and Greece. China's 2024/25 yield was a record, with forecast increases in the Franc Zone, Turkey, and India. Brazil's yield declined in 2024/25 but was still the second highest on record, outpacing the United States and remaining the world's third largest cotton producer.

In China, cotton production increased 3.65 million bales to 31.0 million in 2024/25, rebounding from the sharp drop the prior year. The larger crop allowed China to solidify its position as the world's largest cotton producer. Area planted to cotton in Xinjiang increased to a record high in 2024/25 while area outside of Xinjiang continued the decline that began in 2015/16. Mechanization, higher productivity and yields, and state cotton subsidies available only to

producers in Xinjiang have all contributed to shifting the focus of cotton production to this region, with the result that about 95 percent of China's cotton production is now located in Xinjiang. Near-perfect growing conditions in Xinjiang and the increasing concentration of cotton production in this high-yielding region resulted in a record yield for China in 2024/25.

India saw a cotton area decline in 2024/25, down 900,000 hectares to 11.8 million, a decrease of 7 percent from 2023/24. India's yield increased slightly but not enough to offset the large decline in area. As a result, India's production fell 400,000 bales to 25.0 million bales in 2024/25, about 2 percent below last year.



Brazil's 2024/25 crop established a new record at 17.0 million bales, besting last year's record by 2.4 million bales. The increase was the result of a large increase in area of 310,000 hectares in Mato Grosso and Bahia, as yield slightly decreased from the previous year's record high. Brazil was the world's third largest cotton producer in 2024/25.

Cotton production in the United States rebounded to 14.4 million bales in 2024/25, up 2.3 million bales from the year before. Planted area was up 9 percent to 11.2 million acres and harvested area increased 28 percent to 8.3 million acres, reflecting both higher planted area and lower abandonment. Yield was down 7 percent as lower abandonment in Texas resulted in an increased proportion of lower-yielding dryland acres in the State.

Pakistan's production fell 1.8 million bales to 5.2 million in 2024/25. The decline was a result of lower cotton area, as competing crop prices offered a profitable alternative, and lower yields.

In Africa's Franc Zone, 2024/25 area declined 225,000 hectares from the year before, which was partially offset by a slightly higher yield. As a result, cotton production was down 6 percent to

4.7 million bales.

Australia's 2024/25 cotton production is forecast 400,000 bales higher than the year before, at 5.4 million bales. Yield is down slightly from the previous year but was more than offset by an increase in area.

Turkey's output increased year-to-year by 25 percent, an 800,000-bale increase to 4 million, as area and yield rebound. Turkey's 2024/25 crop is the second highest in the last 20 years.

2024/25 China Supply and Demand

China's 2024/25 consumption is estimated down roughly 1.5 million bales to 37.5 million and slightly below the 5-year average. Imports are forecast at 7.3 million bales and less than half the level witnessed the previous year. Weaker import demand from both domestic mills and state reserves have pressured imports, mostly due to sufficient supplies meeting spinners' immediate needs and robust levels of government reserves. China's 2024/25 ending stocks are projected at 37.4 million bales which, if realized, would be the largest in 8 years.

China Cotton Supply and Demand 2023/24 and 2024/25

Attribute	Unit	2023/24	2024/25	Change (%)
Beginning Stocks	mil. bales	33.4	36.7	9.9
Area Harvested	mil. HA	2.9	2.9	0.0
Production	mil. bales	27.4	31.0	13.1
Imports	"	15.0	7.3	-51.3
Total Supply	"	75.7	75.0	-0.9
Exports	"	0.1	0.1	0.0
Domestic Use	"	38.9	37.5	-3.6
Ending Stocks	"	36.7	37.4	1.9
State Reserve	"	15.1	15.6	3.3
Stock to Use	%	94.2	99.5	5.6

As the world's largest cotton consumer and importer of cotton yarn, China's supply and use situation is crucial to the overall direction and vitality of the global cotton supply chain. While global cotton consumption is expected to grow, China's domestic use is forecast down, falling nearly 4 percent due to declining economic growth in 2024 and 2025 (as projected by the International Monetary Fund (IMF)). In addition, a greater volume of cotton product orders from the United States and European Union are diverting to other major competitors, including Vietnam.

World Cotton Consumption, 2024/25

World cotton consumption in 2024/25 is forecast at 115.9 million bales, 1.0 percent higher than in 2023/24. The COVID-19 pandemic resulted in remarkably large swings in consumption in 2019/20 (12 percent downward) and 2020/21 (18 percent upward), and the 2021/22 spike in world cotton prices helped drive world consumption in 2022/23 to its lowest non-pandemic year level since 2013/14. In 2023/24 and 2024/25, world consumption is projected to grow in two consecutive years for the first time since before the pandemic, with the growth rate roughly equal to the 20-year average. However, consumption remains below the record level of 124.5 million bales reached in 2020/21.

World Cotton Supply and Demand 2023/24 and 2024/25

Attribute	Unit	2023/24	2024/25	Change (%)
Beginning Stocks	mil. Bales	75.9	73.7	-2.9
Area Harvested	mil. HA	31.2	30.8	-1.3
Production	mil. Bales	113.0	120.5	6.6
Imports	"	44.0	42.5	-3.4
Total Supply	"	232.9	236.6	1.6
Exports	"	44.6	42.5	-4.7
Domestic Use	"	114.8	115.9	1.0
Ending Stocks	"	73.7	78.4	6.4
Stock to Use	%	64.2	67.6	5.3

Imports by the three largest cotton product importers – the United States, the European Union, and Japan – are all up slightly year-over-year in the first half of 2024/25 on a volume basis. In addition to representing stronger consumer demand, some of this increase was likely used to replenish retailers' inventories that had been depleted by the drawdown in inventories witnessed in 2023/24. Retail sales of clothing in China are also up slightly year-over-year.

However, cotton consumption has continued to face headwinds from weak economic growth and competition with synthetic fibers. According to the IMF's 2025 World Economic Outlook, world economic growth in calendar year 2024 was slightly lower than 2023, but there were considerable differences in economic performance between major economies. The United States, the largest importer of cotton products, is estimated to have experienced 2.8-percent economic growth in 2024 and, despite consumer confidence in the economy remaining below pre-pandemic levels, retail sales continued to strengthen. The European Union has seen weaker growth of less than 1 percent in the past two years, while China's economy has grown about 5

percent. However, China's growth has been mainly driven by exports as domestic consumption has slowed amid low consumer confidence.

Finally, cotton continues to lose market share to synthetic fibers, which limits its ability to fully benefit from increases in consumer spending globally. The International Cotton Advisory Committee's (ICAC) 2024 World Textile Demand report states that cotton's market share has fallen to below 25 percent in recent years from over 50 percent in the 1970s. Furthermore, ICAC finds that non-cotton fibers are more likely to benefit from rising GDP per capita than cotton, perhaps explaining why the growth in cotton consumption has been notably lower than the growth in demand for fibers in general.

2024/25 World Trade and Stocks

In contrast with rising world consumption, world cotton trade in 2024/25 fell, driven by a reduction in imports by China. World imports in 2024/25 are forecast 1.5 million bales below the previous year, at 42.5 million bales. China's 2024/25 imports are forecast at 7.3 million bales, less than half of the previous year's amount, and accounting for only 17 percent of global cotton imports.

Bangladesh and Vietnam imports are projected to surpass China in 2024/25 with a combined share of world imports of 36 percent. Bangladesh's imports are forecast at 8.0 million bales, nearly 6 percent higher than in 2023/24. Vietnam's imports are forecast at a record 7.4 million bales in 2024/25, more than 10 percent above the previous year. Pakistan, Turkey, and India are also projected to increase imports due to competitive prices from exporters, especially Brazil.

Brazil is projected to surpass the United States as the top exporter for the second consecutive year. Brazil's exports are forecast at 30 percent of global trade in 2024/25, up from only 18 percent two years ago. Despite a larger crop, U.S. exports are projected down 750,000 bales to 11.0 million, 26 percent of world trade. Australia's exports are also forecast down slightly but remain above the 10-year average, while exports from the Franc Zone are forecast unchanged. Australia's share of world trade is projected at 13 percent and the Franc Zone share at 11 percent.

World ending stocks in 2024/25 are expected to be nearly 5 million bales above the previous year at 78.4 million. The largest increases are forecast for the United States and Brazil, with higher production in both countries.

U.S. Cotton Situation, 2024/25

Area and Production

U.S. all-cotton production in 2024/25 is estimated at 14.4 million bales, an increase of 19 percent from 2023/24 but still the third smallest crop since 2015/16. All-cotton planted area in 2024 was 11.2 million acres, up 9 percent from the previous year. Approximately 8.3 million acres were harvested in 2024/25 for an abandonment rate of 26 percent, with most of abandoned acres lost to drought in Texas. This compares to 6.4 million harvested acres and an abandonment rate of 37 percent in 2023/24 when drought impacts in Texas were more severe. The national average yield for 2024/25 is estimated at 836 pounds per harvested acre, down from 899 pounds in 2023/24. Upland production is estimated at over 13.9 million bales—nearly 2.2 million bales above 2023/24—with an average yield of 829 pounds per harvested acre compared with 895 pounds the previous year. Extra-long staple (ELS) cotton production is estimated at 468,000 bales, over 150,000 bales higher than the 2023/24 crop. The average ELS yield in 2024/25 was estimated at 1,119 pounds per harvested acre, up from 1,101 pounds the previous year.

U.S. Cotton Area, Abandonment, Yield, and Production

	Unit	2020/21	2021/22	2022/23	2023/24	2024/25
Planted acres	mil. Acres	12.1	11.2	13.7	10.2	11.2
Harvested acres	mil. Acres	8.2	10.3	7.3	6.4	8.3
Abandonment rate	%	32.1	8.4	47.0	37.1	26.0
Yield/harvested acre	lbs./acre	854	820	953	899	836
Production	mil. Bales	14.6	17.5	14.5	12.1	14.4

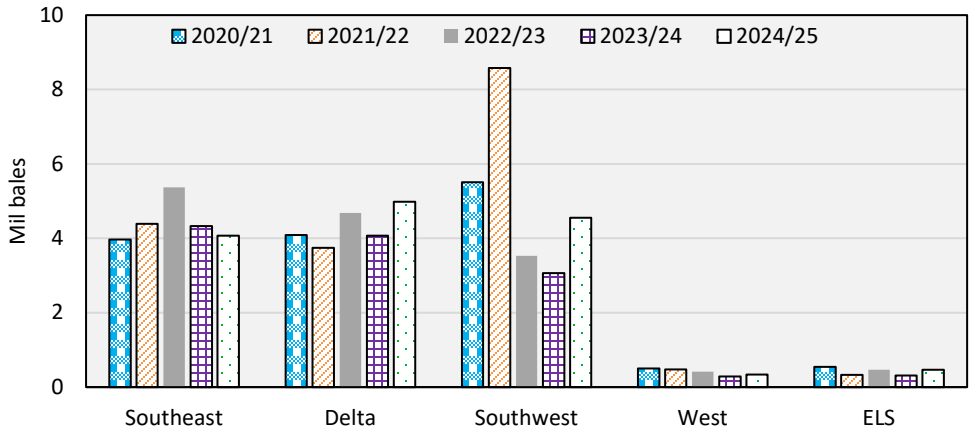
Compared with last season, 2024/25 upland cotton production was higher in the Delta, Southwest, and West, and lower in the Southeast. Upland production in the Southeast declined 6 percent in 2024/25 to 4.1 million bales—nearly 700,000 bales below the 5-year average—accounting for 29 percent of the U.S. upland crop. Upland cotton planted area increased 3 percent to 2.3 million acres but remained over 200,000 acres below the region's 5-year average. The Southeast yield of 858 pounds per harvested acre was down 78 pounds from 2023/24 and 64 pounds below the 5-year average.

In the Delta, 2024/25 cotton production climbed 22 percent from the previous year to 5.0 million bales, 550,000 bales above the 5-year average. The region's production accounted for 36 percent of the 2024/25 U.S. upland crop. Planted and harvested area both increased by at least 20 percent from 2023/24 to 2.0 million and 1.9 million acres, respectively, moderately above their 5-year averages. The Delta yield set a new record of 1,238 pounds per harvested acre, eclipsing last year's record of 1,219 pounds.

In the Southwest, the upland cotton crop was 48 percent higher than last year's drought-ravaged crop at 4.6 million bales, but still over 1.0 million bales below the 5-year average. With the larger crop, the Southwest contributed 33 percent of the total U.S. upland production in 2024/25. Upland planted area of 6.5 million acres was up 7 percent from last year while harvested area of 3.7 million acres was up 56 percent, because of both higher planted area and lower abandonment. With more abundant moisture, abandonment in 2024/25 was 43 percent, a sharp decline from 61 percent and 73 percent for the two previous years, and about equal to the 5-year average of 45 percent. However, the Southwest yield is estimated at only 588 pounds per harvested acre in 2024/25, down 32 pounds from last year and the lowest since 2011/12.

Upland cotton production in the West region rebounded to 341,000 bales in 2024/25, up 20 percent from last year, but the twelfth consecutive year production was below 1 million bales. The region accounted for only 2 percent of total upland production. As recently as 2004/05, the region produced an upland crop of 2.6 million bales and contributed almost 12 percent of U.S. upland production. While upland planted area in 2024/25 was up 31 percent from last year to 158,000 acres, it was still below 200,000 acres for the fourth consecutive year. Harvested area was up 39 percent to 146,000 acres due to higher planted area and lower abandonment. The West region yield was 1,125 pounds per harvested acre, a decrease of 180 pounds from the prior year and the lowest since 1998/99.

U.S. Cotton Production by Region/Type
2020/21 to 2024/25



Planted area of ELS cotton—grown mainly in the West—was up sharply in 2024/25 at 207,000 acres, an increase of 41 percent from last year and 30,000 acres above the 5-year average. The estimated 2024/25 yield of 1,119 pounds per harvested acre was also higher than last year though far short of the 5-year average yield of 1,299 pounds and the second lowest since 2000/01. California accounted for 77 percent of the 2024/25 U.S. ELS crop.

U.S. Cotton Supply and Demand, 2023/24 and 2024/25 est.

Attribute	Unit	2023/24	2024/25	Change (%)
Beg. Stocks	mil Bales	4.7	3.2	-32.3
Production	"	12.1	14.4	19.5
Imports	"	0.0	0.0	0.0
Total Supply	"	16.7	17.6	5.1
Mill Use	"	1.9	1.7	-8.1
Exports	"	11.8	11.0	-6.4
Total Use	"	13.6	12.7	-6.6
Ending Stocks	"	3.2	4.9	55.6
Stocks-to-Use	%	23.2	38.6	66.6
Farm Price	cents/lb	76.1	63.5	-16.6

Domestic Mill Use and Consumer Demand

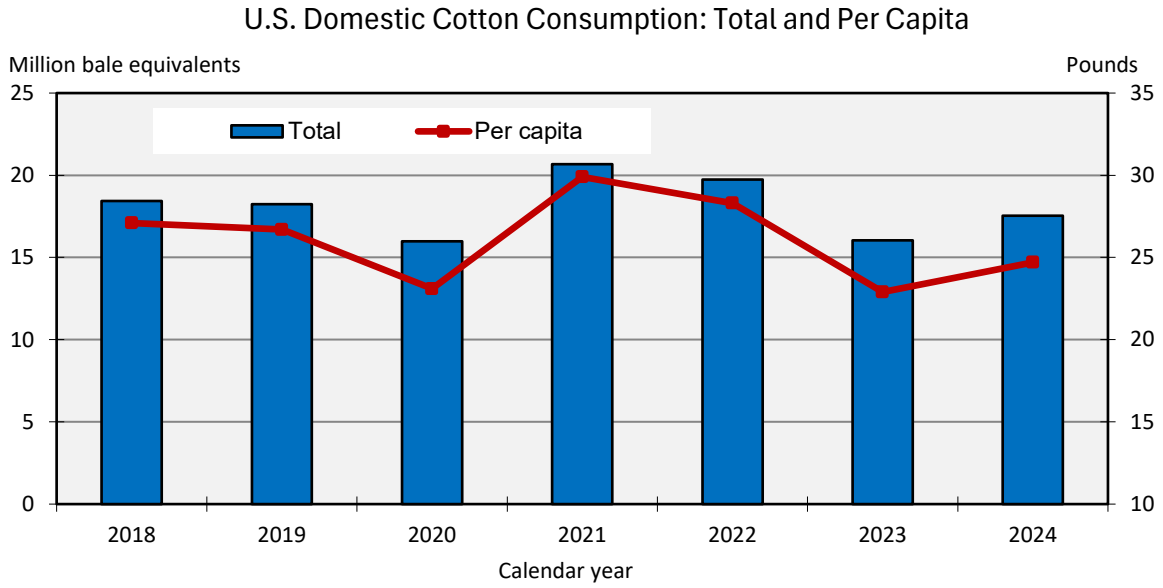
U.S. cotton mill use in 2024/25 is forecast at 1.7 million bales, compared with last season's 1.85 million bales. Mill use is expected to decline this season as the global economy remains sluggish and inflationary effects on consumer purchasing power limit demand for apparel products. The economic uncertainties around the world have limited U.S. cotton textile exports and constrained mill use this season. During the first 5 months of 2024/25, U.S. cotton mill use reached approximately 0.7 million bales, 7 percent below a year earlier. Similarly, the pace of cotton mill use during the remaining months of this season is expected to underperform 2023/24. U.S. cotton mill use in 2024/25 is expected to decline nearly 8 percent year-over-year to its lowest level in 145 years.

U.S. consumer demand for textile and apparel products generally follows the global economy. Although the U.S. and world Gross Domestic Product (GDP) were marginally lower in calendar year 2024 versus the year before, total U.S. fiber product imports rebounded somewhat from a significant decrease in 2023. Based on revised data, fiber product imports on a raw-fiber equivalent basis rose 9 percent in calendar year 2024, after declining 15 percent in 2023. Cotton and synthetic products accounted for 91 percent of total imports in 2024. In contrast, total U.S. fiber product exports decreased 6 percent in 2024, with cotton products accounting for 60 percent of the decline.

In calendar year 2024, U.S. cotton textile and apparel imports increased 8.5 percent to nearly 18 million bale-equivalents, while synthetic product imports rose 8 percent. Despite persistent

competitively priced synthetic fibers (like polyester) and sustained demand for athleisure clothing (containing mostly synthetic fibers), the U.S. fiber product import shares were relatively flat. In calendar year 2024, the cotton product import share remained at 41 percent, with synthetic product imports accounting for about 50 percent of the total—the same as calendar year 2023.

U.S. cotton product exports were 7 percent lower in calendar year 2024 at 2.2 million bale-equivalents. Meanwhile, U.S. domestic consumption of cotton (mill use plus net textile trade) in calendar year 2024 is estimated to have risen 9 percent to 17.5 million bale-equivalents, compared with the revised 16.1 million bale-equivalents in 2023—the smallest in 30 years when the 2020 pandemic-influenced year is excluded. U.S. per capita cotton consumption in calendar year 2024 is estimated at approximately 25 pounds, compared with 23 pounds in 2023 and 28 pounds in 2022.



World Cotton Outlook, 2025/26

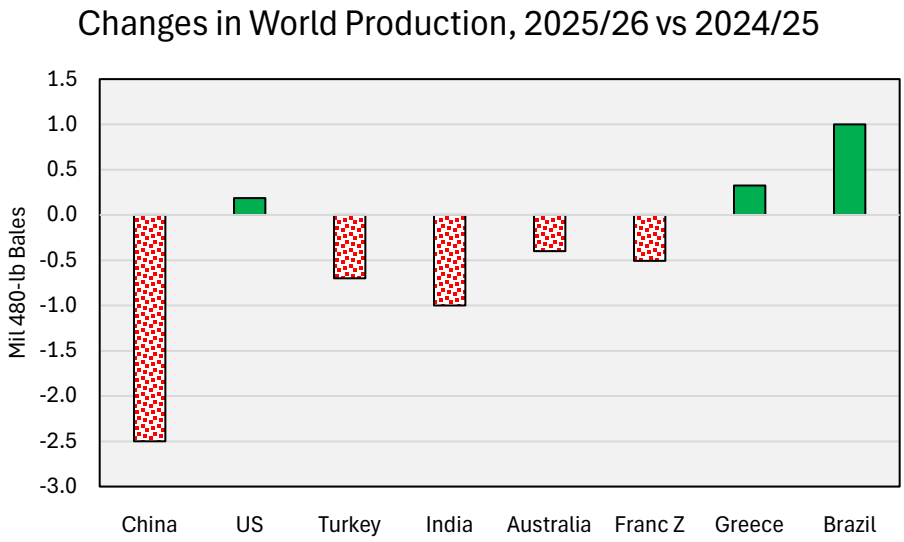
World Cotton Production, 2025/26

World cotton production for 2025/26 is projected at 116.7 million bales, 3.8 million bales below 2024/25. Lower production is projected for China, India, Turkey, the African Franc Zone, Australia, and Egypt while increases are forecast for Brazil, the United States, Central Asia, Greece, Mexico, and Argentina. China is expected to remain the world's largest producer, followed by India, Brazil, and the United States, respectively. If this ranking is realized, it will be the third consecutive year Brazil's cotton production has exceeded that of the United States and firmly establishing Brazil as the world's third largest producer of cotton.

China's 2025/26 crop is forecast at 28.5 million bales, 2.5 million below 2024/25 production. Surveys in China of farmers' intentions suggest total cotton area for 2025/26 may be relatively unchanged to slightly increasing from last year, but the dominant feature will be the continued shift of cotton production to the Xinjiang region. Xinjiang now accounts for about 90 percent of China's cotton area as production is highly mechanized, yields are approximately double those elsewhere in the country, and government support measures are only available to growers in the region. Growing conditions in Xinjiang in 2024/25 were near-perfect and are unlikely to be replicated in 2025/26. As a result, a lower national average yield is projected that is slightly higher than the 3-year average, reflecting the continued shift of cotton production to Xinjiang.

Cotton production in India for 2025/26 is projected to be 1 million bales lower than last year at 24.0 million bales. Persistent pest issues and lower prices have led farmers to switch less

productive acres to competing crops the past two crop years. Cotton area for 2025/26 is projected to be unchanged at 11.8 million hectares as market and support prices do not favor additional cotton area. India's yields have been stable the past five years with a range of just 33 kilograms per hectare between low and high estimates. The projected yield for 2025/26 is approximately equal to the 5-year average, which would be a 4-percent decline from 2024/25 when yields were aided by weather and limited pest issues.



In Brazil, planting of the 2025/26 crop is nearing completion, and expectations are for a crop of about 18 million bales, an increase of about 6 percent from the previous year. Cotton area is projected almost 8 percent higher at 2.1 million hectares with an expected yield of 1,844 kilograms per hectare, down slightly from the current year. Still, this would be the third highest yield on record, trailing only the two previous years, as the high-yielding state of Mato Grosso accounts for a larger share of Brazilian cotton production. A crop of 18 million bales would firmly establish Brazil as the third largest producer of cotton in the world and the largest producer among the major exporting countries.

Availability of water is a critical determinant of Australia's cotton area, both for irrigated production dependent on reservoir discharges and dryland production dependent on timely rainfall. While reservoir supplies are currently down, Australia may be entering a weak La Nina phase in early 2025 which could provide adequate moisture through the growing season for 2024/25 crop cotton. However, the La Nina cycle is expected to dissipate no later than mid-year and the country will return to a neutral posture which suggested lower amounts of precipitation. With planting many months away, 2025/26 cotton area is projected to decline 8 percent from 2024/25 with a greater proportional reduction for dryland area than irrigated area. Australia's 2025/26 crop is projected to fall 400,000 bales from the year before to 5.0 million bales, which results in a slightly higher yield for 2025/26 due to the disproportionate loss of low-yielding

dryland area.

Turkey is projected to produce 3.3 million bales of cotton in 2025/26, a decline of about 18 percent from the 2024/25. Cotton area is expected to decline 14 percent from 2024/25 as competing crops offer better returns. Yields in 2024/25 were the second highest of all-time, and a return to trend is forecast for 2025/26 resulting in a 4-percent reduction from the prior year.

Greece's cotton crop is expected to rise 325,000 bales to almost 1.4 million assuming normal weather. Cotton area is forecast to recover from recent lows that were attributed to adverse weather and low cotton prices. Adverse weather had a significant impact on yields in both 2023/24 and 2024/25. Assuming normal weather conditions for 2025/26, yield is projected to be higher and return to trend.

Pakistan's 2025/26 cotton crop is projected to be unchanged from its 2024/25 crop at 5.2 million bales. Cotton area is forecast to be unchanged from last year at 2 million hectares. Over the past decade, pest pressures, declining productivity, and unfavorable market returns relative to competing crops have led to a significant decline in cotton area in some regions of the country. Recently, cotton area has stabilized in the low 2-million-hectare range. Yield also is projected to be unchanged from 2024/25 and slightly above the 5-year average as growing regions subject to pest outbreaks and declining productivity remain out of cotton production.

USDA Projections for China, 2025/26

China's 2025/26 production is forecast at 28.5 million bales, down from the previous year's level which was the highest in more than a decade. Consumption is forecast up 4 percent to 39.0 million bales, the highest level in 6 years and above the 5-year average of 37.3 million bales. As the world's largest exporter of cotton fabric and apparel, expectations for greater global apparel imports are expected to boost cotton consumption. From a capital and production cost point of view, low producer inflation and financing costs are also expected to sustain China's competitive edge. Imports are forecast to rise with lower production and expected sales of foreign cotton from the reserve. Sales are expected due to lower domestic supplies and the assumption that government reserves (as of August 2025) will be the highest since 2017/18. Still, final production estimates will have a significant influence on the subsequent level of imports.

China Cotton Supply and Demand 2024/25 and 2025/26

Attribute	Unit	2024/25	2025/26	Change (%)
Beginning Stocks	mil. Bales	36.7	37.4	1.9
Area Harvested	mil. HA	2.9	2.9	0.0
Production	mil. Bales	31.0	28.5	-8.1
Imports	"	7.3	9.0	23.3
Total Supply	"	75.0	74.9	-0.1
Exports	"	0.1	0.1	0.0
Domestic Use	"	37.5	39.0	4.0
Ending Stocks	"	37.4	35.8	-4.3
State Reserve	"	15.6	14.5	-7.1
Stock to Use	%	99.5	91.6	-7.9

World Cotton Consumption, 2025/26

World cotton consumption in 2025/26 is expected to rise to its highest level in 5 years, at 119.0 million bales. This projected 3.1-million-bale increase implies a growth rate of 2.7 percent, above the 1.6 percent average annual rate of global cotton consumption growth realized since 1960/61, and the third consecutive year of growth. However, consumption levels remain below the record level of 124.5 million bales witnessed in 2020/21, with the last four marketing years having only averaged roughly 115.0 million bales. In 2025/26, consumption is forecast higher mainly on larger global cotton supplies, continued replenishment of inventories across the textile and product supply chain, and prospects for global economic growth.

Larger global supplies are expected to boost consumption. Although production is forecast lower in 2025/26, the sum of beginning stocks and production is projected at the highest level since 2020/21 at over 195.1 million bales. When combined with lower expected inflation and energy prices, an increase in available cotton supplies supports higher global consumption by creating a more stable operating environment for spinners.

Low retailer inventories and increased consumer demand are also likely to support higher cotton consumption. Cotton product imports by the United States and the European Union, the two largest cotton product importers, fell in 2022/23 and 2023/24 as retailers worked through excess inventory and consumers were concerned about inflation and an economic slowdown. In contrast, cotton product imports in these markets rebounded by more than 10 percent in the first few months of 2024/25 compared to the previous marketing year. This suggests that retailers are

starting to rebuild depleted inventories. Additionally, it reflects a more optimistic economic outlook, especially in the United States. Consumer demand in 2024 proved surprisingly resilient as GDP growth in the United States exceeded expectations. Looking forward, in its January 2025 World Economic Outlook, the IMF forecast growth for 2025 and 2026 at 3.3 percent, above the estimated 3.2-percent growth for 2024. Growth is expected to slow in the United States and China and rise slightly in the European Union as all three appear to have dodged a post-pandemic recession.

Despite this optimistic view of global economic growth, concerns remain about other macroeconomic factors and competition from synthetic fibers. Although inflation and interest rates have fallen from recent peaks in the United States, prices remain elevated, and experts believe significant interest rate cuts are unlikely in 2025. In China, it is unclear if strong export growth will continue to offset a slowdown in domestic demand. Other potential negative factors include the uncertainty surrounding tariffs that contributes to a more risk averse approach to global trade. Finally, cotton consumption will continue to face headwinds from competition with synthetic fibers. The growth in the supply of synthetic fibers has significantly outpaced the growth in cotton consumption in recent years, and this trend is likely to continue even with a projected rise in cotton consumption in 2025/26.

2025/26 World Trade and Stocks

World cotton trade is expected to rise further in 2025/26 as China's imports are expected to increase, and consumption is projected to rise in import-dependent countries such as Vietnam and Bangladesh. Higher supplies for the world's two largest exporting countries—the United States and Brazil—will meet this increased import demand, and world trade is expected to rise more than 8 percent to 46.0 million bales.

World ending stocks of cotton are expected to fall in 2025/26 due to global consumption outpacing production. At 76.1 million bales, stocks are forecast down roughly 5 percent but remain at elevated levels. With stocks tighter, prices in the United States and the world are expected to rise, and the A-Index is forecast to increase to 82 cents per pound.

World Cotton Supply and Demand 2024/25 and 2025/26

Attribute	Unit	2024/25	2025/26	Change (%)
Beginning Stocks	mil. Bales	73.7	78.4	6.4
Area Harvested	mil. HA	30.8	31.2	1.3
Production	mil. Bales	120.5	116.7	-3.2
Imports	"	42.5	46.0	8.2
Total Supply	"	236.6	241.1	1.9
Exports	"	42.5	46.0	8.2
Domestic Use	"	115.9	119.0	2.7
Ending Stocks	"	78.4	76.1	-2.9
Stock to Use %	%	67.6	64.0	-5.3

U.S. Cotton Outlook, 2025/26

Area, Production, and Supply

The early USDA projection for 2025 U.S. cotton planted area is 10.0 million acres, nearly 11 percent below 2024's 11.2 million acres and the lowest since 2015. Historically, the relationship between expected harvest prices for cotton relative to corn and soybeans has played an important role in the cotton area planted. Cotton harvest futures prices from mid-January through mid-February 2025 averaged more than 12.5 cents (15 percent) below price expectations in early 2024. Although 2025 corn and soybean harvest prices were also lower, corn prices during the mid-January through mid-February period were only 2 percent lower while soybean prices were approximately 11 percent lower. Consequently, these relative crop prices indicate that cotton is less competitive this year compared with alternative crops.

Planted acreage decisions this spring likely will be influenced by additional factors including the cotton farmers' experiences during the previous season, insurance reference prices, fixed cost investments, and the soil moisture conditions heading into planting season. Despite a record yield per harvested acre in the Delta region in 2024, cotton yields were below the previous season's level in the other three Cotton Belt regions. In addition, dry conditions in the Southwest led to a third consecutive year of above-average abandonment (43 percent) in 2024. Meanwhile, 2025 crop insurance reference prices are expected to decline further to their lowest in 5 years. As the 2025 spring planting season approaches, dry conditions across the Cotton Belt as of mid-February are more prevalent. Consequently, weather conditions and rainfall during the growing season will prove vital to the 2025/26 production outcome.

U.S. Cotton Area, Yield, and Production
2024/25 and 2025/26 proj.

Attribute	Unit	2024/25	2025/26	Change (%)
Planted area	mil. acres	11.18	10.00	-10.6
Harvested area	"	8.27	8.41	1.7
Abandonment rate	%	26.0	15.9	-38.5
Yield/harvested acre	lbs./acre	836	833	-0.4
Production	mil. bales	14.41	14.60	1.3

USDA's first survey of producer planting intentions—*Prospective Plantings*—will be conducted in early March and published on March 31, 2025. For the purposes of this analysis, 2025 cotton plantings of 10.0 million acres (-10.6 percent) are estimated to result in harvested area of approximately 8.4 million acres, about 2 percent above 2024. The projected national abandonment rate of 16 percent is based on 10-year regional averages, with the 2025 Southwest abandonment rate estimated below the 10-year average of 34 percent. Southwest abandonment rates are highly variable demonstrated recently by 2021's rate of 12 percent followed by 2022's record of 73 percent. Conditions later this spring will have a considerable impact on cotton plantings and the U.S. crop size. The latest NOAA seasonal outlook for the Southwest indicates that drought development is likely over much of the region's cotton growing area at least through May 2025.

USDA is forecasting a national average yield—based on 5-year regional average yields—of 833 pounds per harvested acre, compared with the 2024 yield of 836 pounds. The 2025 U.S. cotton crop is projected at 14.6 million bales, compared with 2024's estimate of 14.4 million bales. The higher production is attributable to a small increase in expected harvested area that more than offsets a slight reduction in yield, as a larger share of lower-yielding cotton is forecast to be harvested in the Southwest in 2025. Lower or similar cotton crop expectations to last season are anticipated for each of the Cotton Belt regions, except for the Southwest, where 2025 cotton production is projected to increase significantly. Based on higher U.S. carry-in stocks of 4.9 million bales for 2025/26 and the slightly larger production forecast, a total supply of 19.5 million bales would be approximately 11 percent larger than the previous season and the largest in 4 years.

U.S. Disappearance, Ending Stocks, and Farm Price

U.S. cotton mill use is projected at 1.7 million bales in 2025/26, unchanged from 2024/25. Although global cotton mill use is expected to expand above the long-run annual growth rate, U.S. mill use is forecast to remain flat compared with many of the cotton-spinning countries in 2025/26. Continued competition from foreign manufacturing of both cotton and synthetic fibers—such as polyester—is expected to keep U.S. cotton mill use at its lowest level in over a century. U.S. cotton mill use is projected to account for approximately 12 percent of total U.S. cotton demand in 2025/26, down slightly from 2024/25, as opportunities for increased U.S. raw

cotton exports exceed those for semi-processed textile and apparel product exports.

U.S. Cotton Supply and Demand,
2024/25 and 2025/26 proj.

Attribute	Unit	2024/25	2025/26	Change (%)
Beginning Stocks	mil. Bales	3.2	4.9	55.6
Area Harvested	mil. HA	3.3	3.4	1.5
Production	mil. Bales	14.4	14.6	1.3
Imports	"	0.0	0.0	0.0
Total Supply	"	17.6	19.5	11.0
Exports	"	11.0	13.0	18.2
Use	"	1.7	1.7	0.0
Total Use	"	12.7	14.7	15.7
Ending Stocks	"	4.9	4.8	-2.0
Stock to Use %	%	38.6	32.7	-15.3
Farm Price	cents/lb.	63.5	65.0	2.4

U.S. cotton exports are projected to rise 18 percent in 2025/26 to 13.0 million bales, as expectations for increased foreign import demand help support the higher global cotton mill use forecast. Consequently, world cotton trade is projected higher in 2025/26, and many of the major producing/exporting countries will likely benefit. Increased U.S. cotton supplies in 2025/26 are also expected to support the highest exports in 4 years as the United States remains the second largest cotton exporter in 2025/26. The U.S. share of world trade is expected to rebound slightly to 28 percent in 2025/26 but remain below the 5-year average (approximately 30.5 percent) due to competition from other foreign cotton producers, most notably Brazil.

U.S. 2025/26 cotton ending stocks are forecast to decrease marginally (2 percent) from the 2024/25 level as the increased export projection more than offsets the larger crop expectation for the upcoming season. At 4.8 million bales, 2025/26 ending stocks are projected 100,000 bales below 2024/25 but remain one of the highest stock levels during the last 5 years. Similarly, the stocks-to-use ratio is expected to decline slightly in 2025/26 to approximately 33 percent, compared with 2024/25's 39 percent and the 5-year average of 28 percent. Based on the initial U.S. and global cotton supply and demand projections for 2025/26, the U.S. average price received by upland cotton producers is expected to rise modestly to 65 cents per pound, compared with the current 2024/25 forecast of 63.5 cents.

Appendix: U.S. Farm Policy

The Agriculture Improvement Act of 2018 (2018 Farm Bill) became law effective December 20, 2018, and was slated to expire September 30, 2023. However, a one-year extension was signed by the President on November 16, 2023, authorizing current provisions through September 30, 2024. At this time, it is unclear what changes may be made to U.S. farm policies in general or as they specifically relate to upland and ELS cotton in a subsequent farm bill. Below is background and discussion of current farm policies.

In general, many of the provisions of the 2014 Farm Bill such as Marketing Assistance Loans and the ARC/PLC programs were carried over to the 2018 Farm Bill, with some upward adjustments to loan rates for some crops and an allowance for Average Revenue Coverage and Price Loss Coverage (ARC/PLC) reference prices to rise as much as 15% above the statutory reference prices. Also, producers were required to allocate "generic" base acres (former cotton base acres before 2014) to seed cotton base acres in an amount equal to the greater of 80% of their generic base acres (up to 100% in some cases), or the average number of seed cotton acres planted on the farm during 2009-12, not to exceed total generic base acres on the farm.

For cotton, most of the farm program provisions were unchanged or modestly adjusted from the 2014 Farm Bill, with the noteworthy exception of incorporating the "seed cotton" (unginned cotton containing both lint and seed) ARC/PLC provisions from the Bipartisan Budget Act of 2018 (BBA), which made seed cotton eligible for ARC/PLC for the 2018/19 crop. The addition of seed cotton occurred after cotton lint was removed as a "covered" commodity in the 2014 Farm Bill following a successful World Trade Organization challenge of the U.S. cotton program by Brazil. Under the 2018 Farm Bill, the upland cotton marketing assistance loan rate remains between 45 and 52 cents/lb., the ELS rate was raised from $0.7977/lb. to $0.95/lb., and seed cotton loan rates correspond with their respective upland and ELS loan rates. The Economic Adjustment Assistance Program for domestic users of upland cotton ("EAAP") was unchanged, aside from being renamed as the Economic Adjustment Assistance for Textile Mills program ("EAATM). The Extra Long Staple (ELS) Competitiveness payment program remained in place but several parameters potentially affecting payments were changed.

Seed Cotton ARC/PLC Provisions

When cotton lint was removed as a covered crop in the 2014 Farm Bill, cotton base acres were eliminated and were replaced by "generic" base acres. These generic base acres, on an annual basis, could be eligible for payments based on the proportion of other covered crops planted on a farm with generic base acres.

The 2018 BBA applied only to the 2018/19 crop, but the 2018 Farm Bill applies to the 2019-24

crops (with the one-year extension). Under the BBA, owners of generic base had several options to convert generic base into seed cotton or other covered commodity base acreage, either to 80-100% seed cotton base depending on cotton planting history during 2009-12 or to the proportion of all covered crops planted during that time period. If a producer planted no covered commodities since 2009, all generic base would become unassigned and ineligible for ARC/PLC payments.

The seed cotton ARC and PLC programs will operate with the same general parameters as they have with other covered crops during the 2014 Farm Bill. Seed cotton has a reference price of $0.367/lb., and the effective price is the higher of $0.25/lb. or the weighted average price of cotton lint and cottonseed. Payments equal the payment rate (if the effective price is lower than the reference price), times the payment yield, times 85% of the seed cotton base acres. The payment yield, by default, is the Counter-Cyclical Payment yield under previous legislation for lint cotton times 2.4, and the option to update yields also exists under the same conditions as for other covered commodities under the 2018 Farm Bill.

Marketing Assistance Loans

There are different provisions for upland cotton, ELS, and seed cotton marketing assistance loans (MALs) in the 2018 Farm Bill. The upland cotton and ELS MALs remain nonrecourse, meaning that producers are able to forfeit the cotton as full repayment of the MAL, but only upland cotton is eligible for Marketing Loan Benefits. The upland cotton loan rate remains between $0.45/lb. and $0.52/lb., based on the simple average of the preceding two crop year's Adjusted World Price (AWP), but with the new provision that the loan rate can be no less than 98% of the previous year's loan rate. The ELS loan rate, as with a number of other crops, had its loan rate raised, in this case from $0.7977/lb. to $0.95/lb. Seed cotton loans (unrelated to the ARC/PLC provisions discussed above) are recourse loans, requiring full repayment with interest. The loan rate for seed cotton is the same for upland cotton and ELS cotton, respectively, depending on the variety of the cotton.

Other Cotton Provisions

The other main cotton programs that were continued, with some modification in one case, are the Economic Adjustment Assistance to Textile Mills ("EAATM") program, the ELS Competitiveness Payment Program, and the upland Special Import Quota.

The EAATM program, established in 2008 under a different name, provides a fixed payment of $0.03/lb. to domestic users (e.g., mills) of upland cotton. The payments are to be used for capital improvements such as purchasing or improving equipment, machinery, and structures.

The ELS Competitive Payment Program is designed to make payments to domestic users or exporters of ELS when, for four consecutive weeks, a) the lowest foreign price quote for a competing variety is lower than the U.S. price quote and, b) the low foreign price quote is less than a certain percentage of the U.S. loan rate (previously 134% and changed to 113% in the 2018 Farm Act). The change to 113% is offsetting to the increased loan rate but perhaps not completely so based on an examination of historical price data. Finally, a special import quota, is continued and unchanged from prior farm bills.