

Cotton Market Outlook

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Where do we stand today?

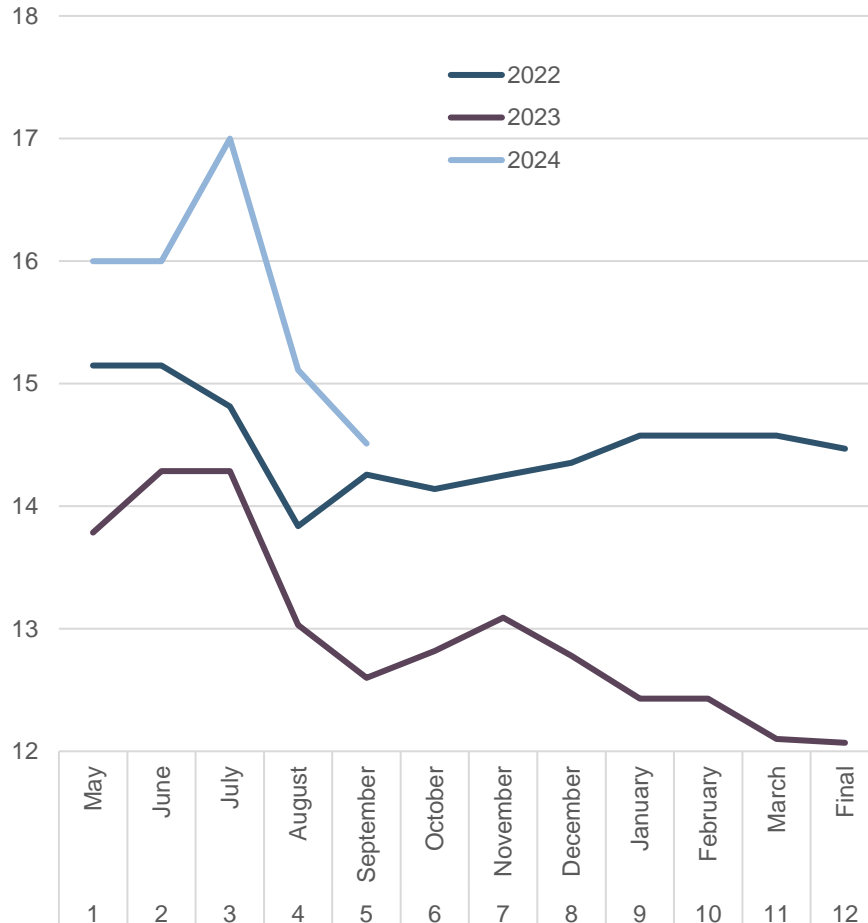
Uncertainty Everywhere



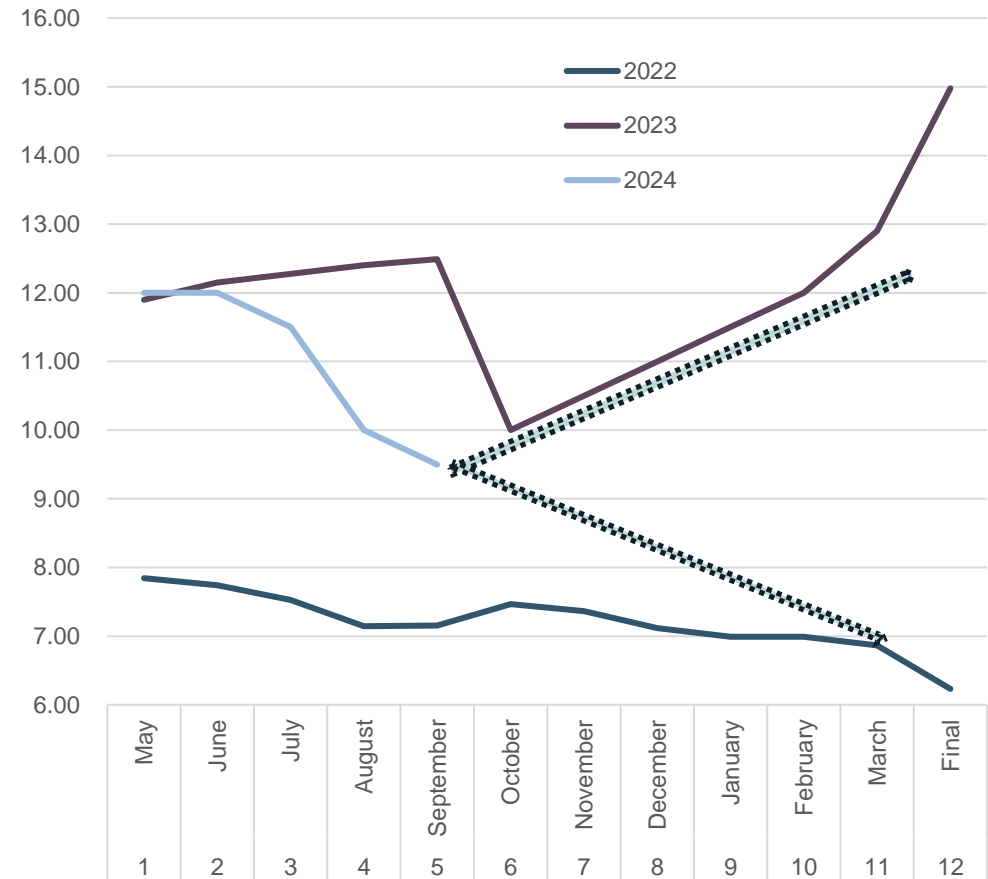
Uncertainty Galore!

Uncertainty – even on basic S&D

US Production

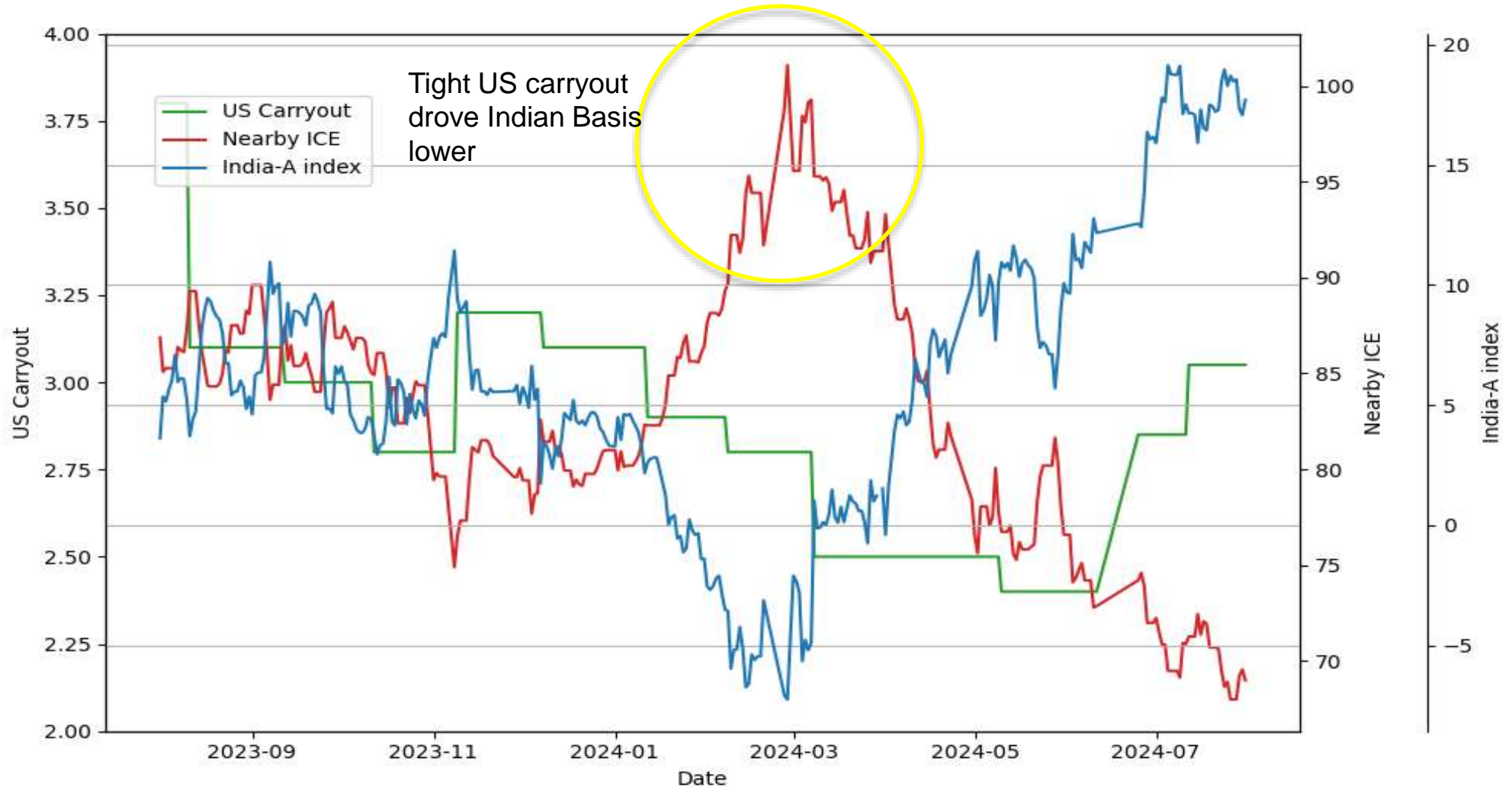


China Imports

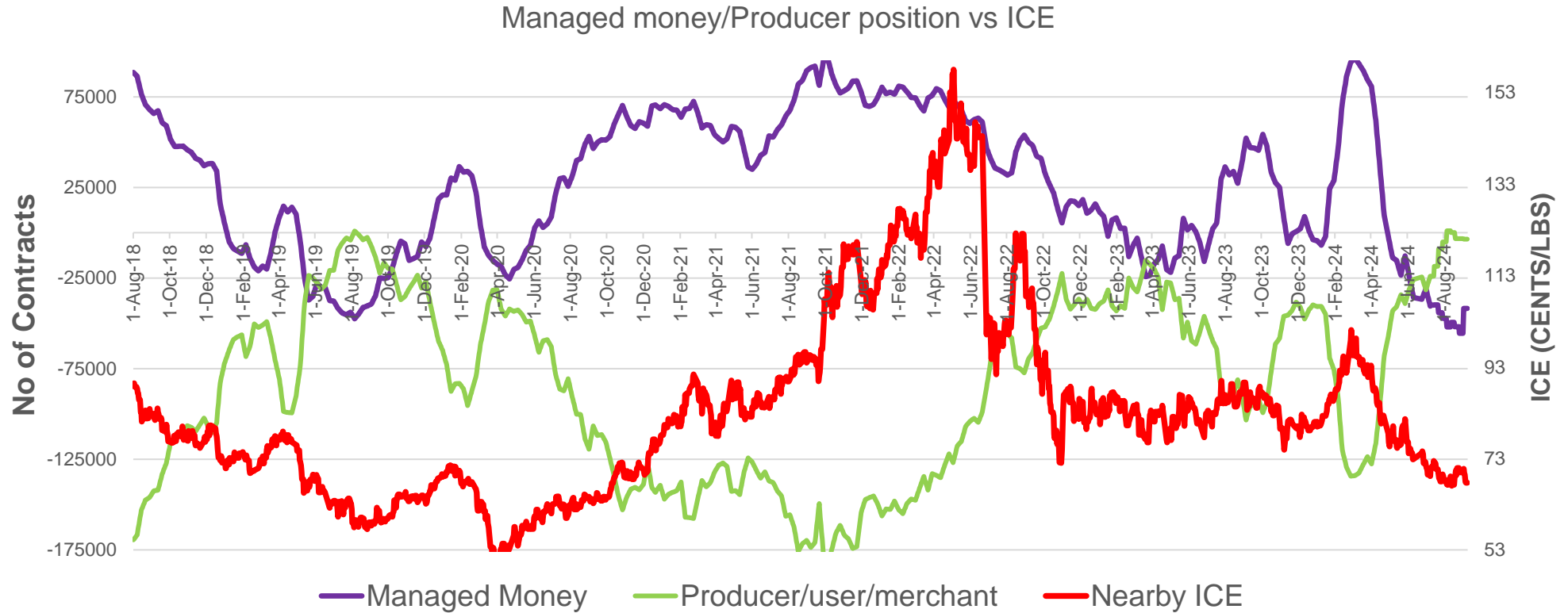


Source:USDA, data in 480 lb
bls (in Mlns)

Why is this important for us?



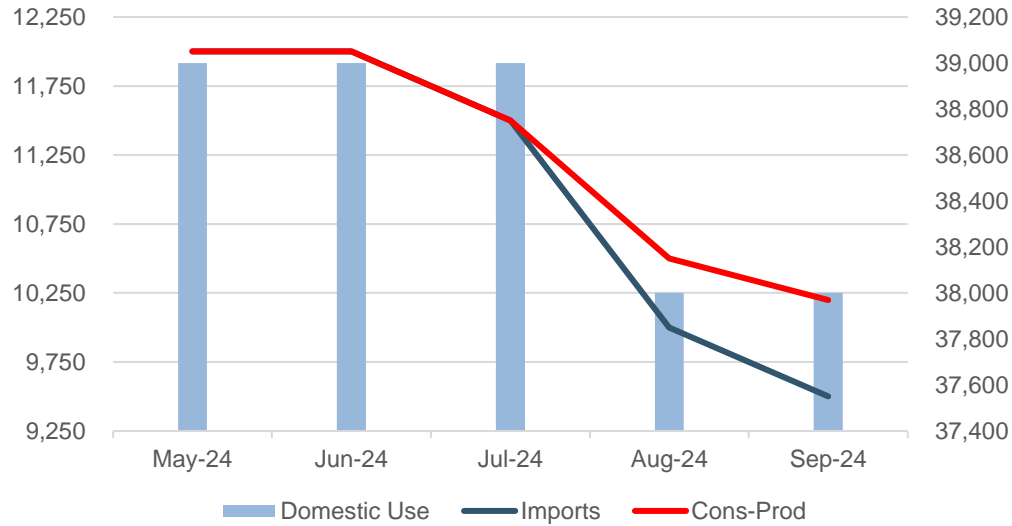
Who's in the driving seat?



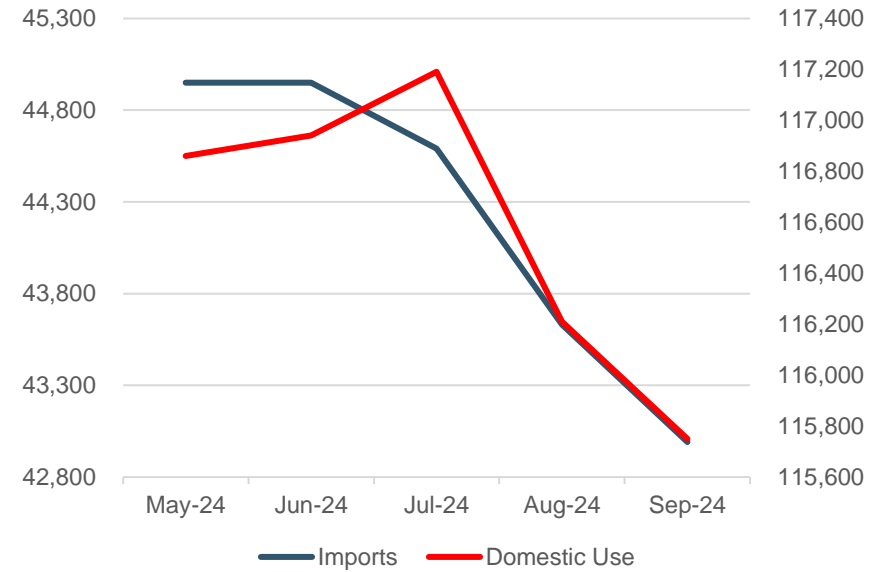
Specs or Managed Money Category continues to drive Flat Price

China + US – how will S&D move from here?

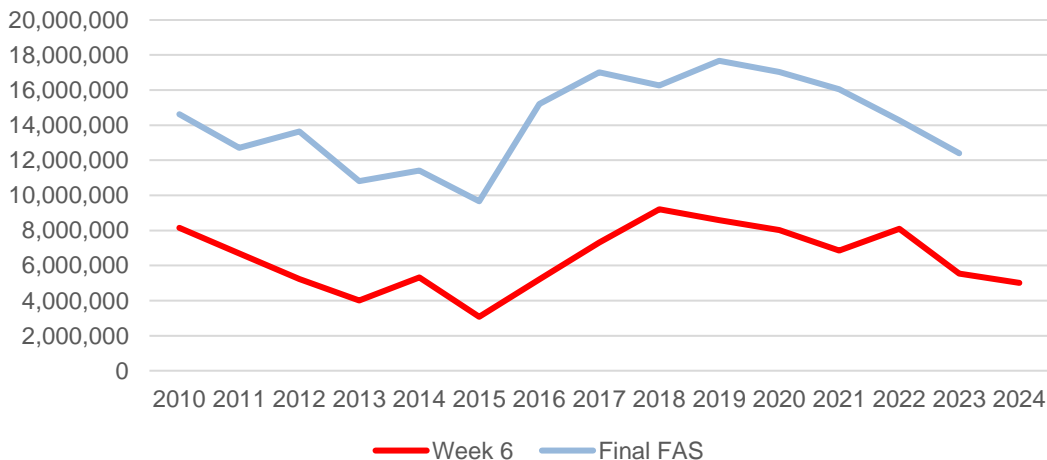
China Deficit and Domestic Consumption Change



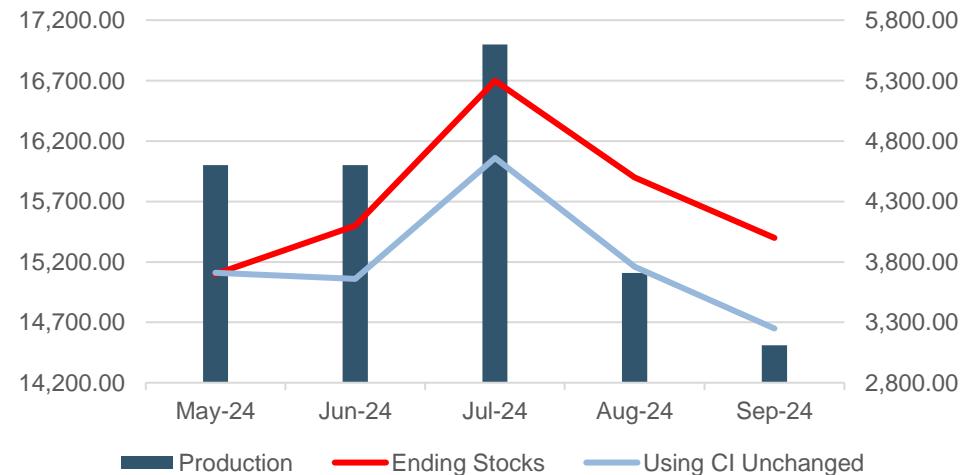
World Consumption and Imports



USA Export Pace

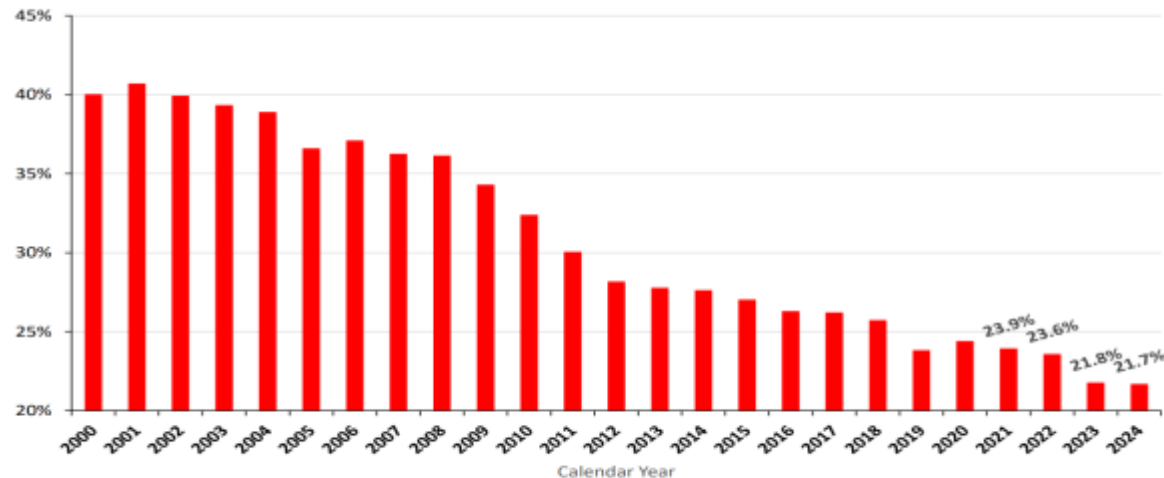


US Production + Ending Stocks



Source:USDA, data in 480lb bbls in thousands for first three graphs and 480 lb bbls in last one

Cotton's share of World Fiber consumption



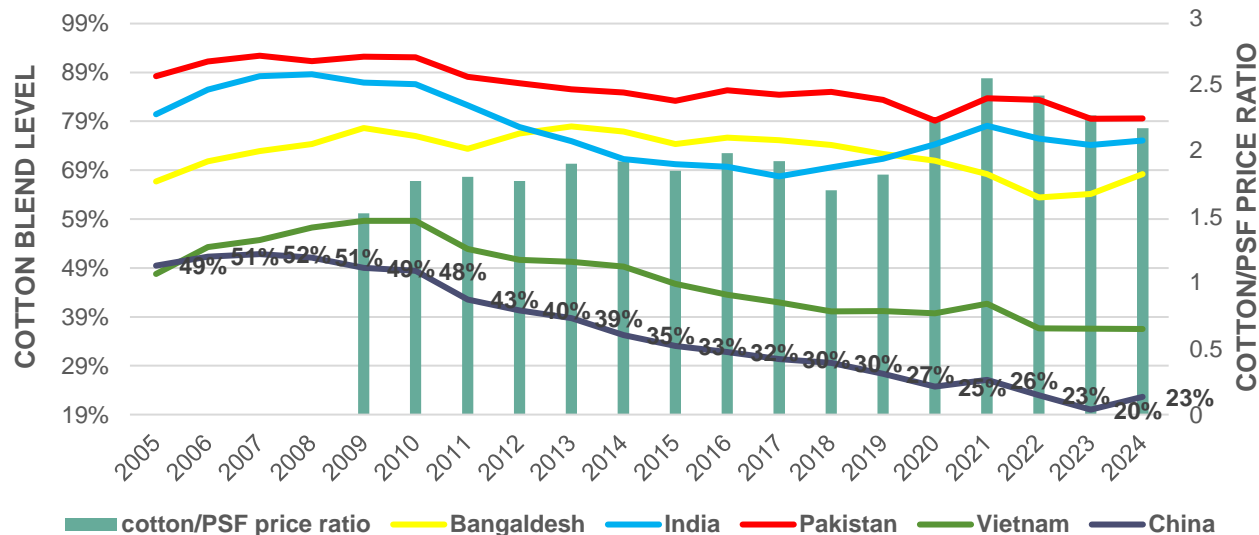
Source: ICAC World Textile Demand

With cotton prices being double of Polyester, the share of cotton in world fiber cons has dropped.

Same Trend is visible in US apparel imports for cotton blends from China.

India, Pakistan, Bangladesh still have higher share of cotton in exports to US but this can change.

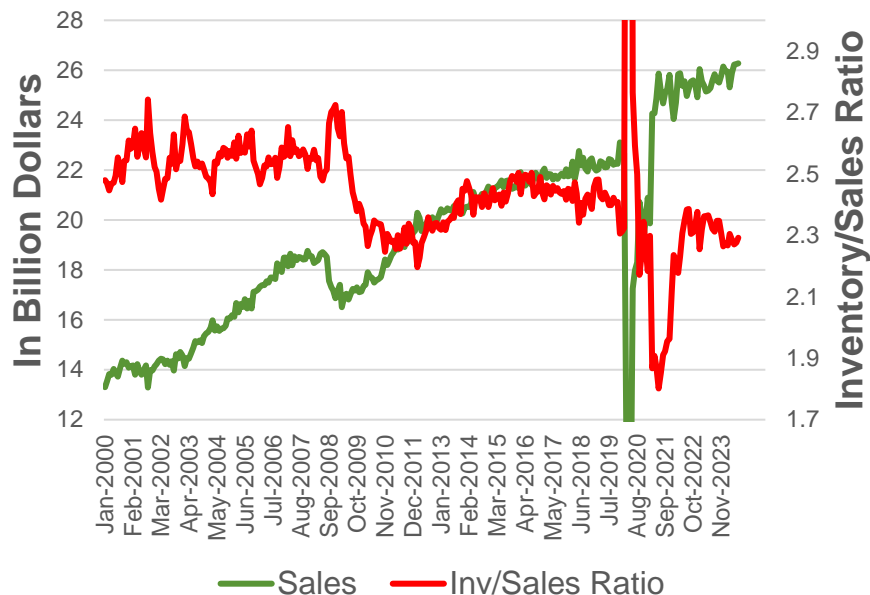
Cotton Blend level in USA apparel imports



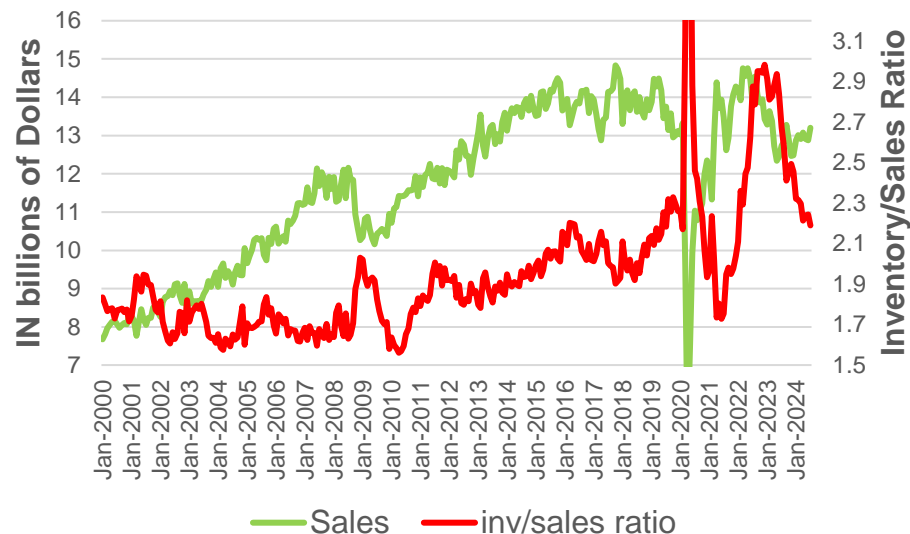
Source: USITC DataWeb/Census

Is there Light at the end of the tunnel?

Retailers Clothing Sales vs Inventory/Sales Ratio

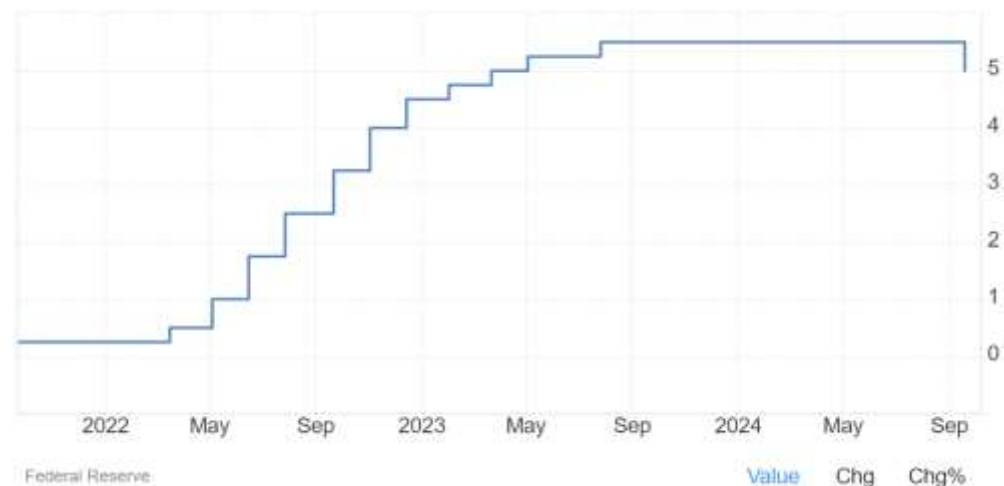


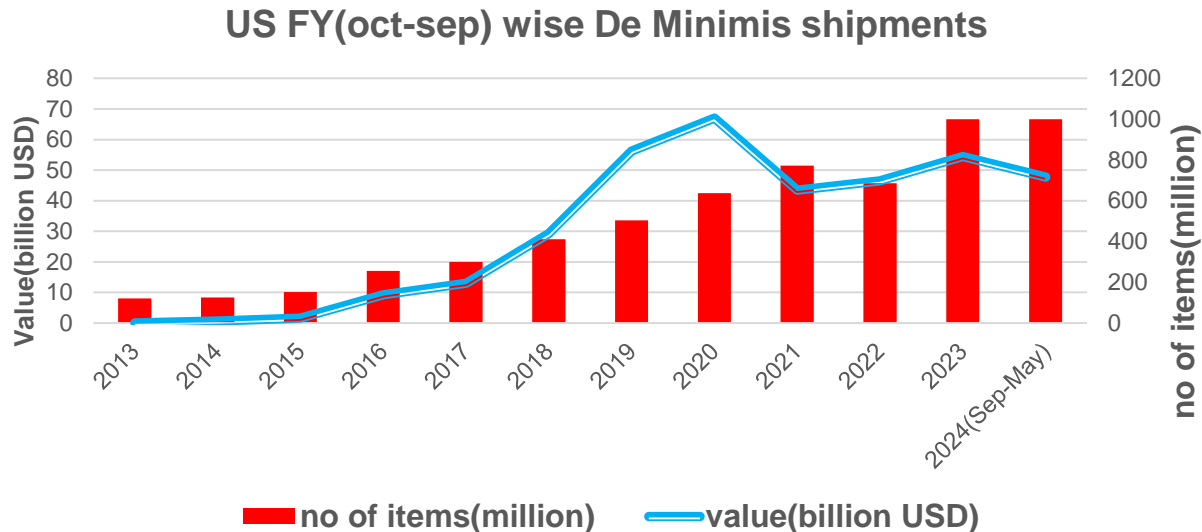
Wholesale Clothing Sales vs Inventory/Sales Ratio



Retail Sales continue to remain robust while inventory to sales ratio has declined below pre-covid levels. Wholesalers also cutting Inventory levels.

With rate cuts in play, they can decide to fill the pipeline (good for demand).





US raised De Minimis threshold from \$200 to \$800 in 2016.

De Minimis shipments are duty and tax free. Volume surged from 140 million to >1 billion in 10 years.

Total value of De Minimis imports ranges from 47-55 billion USD. (2023-2024)

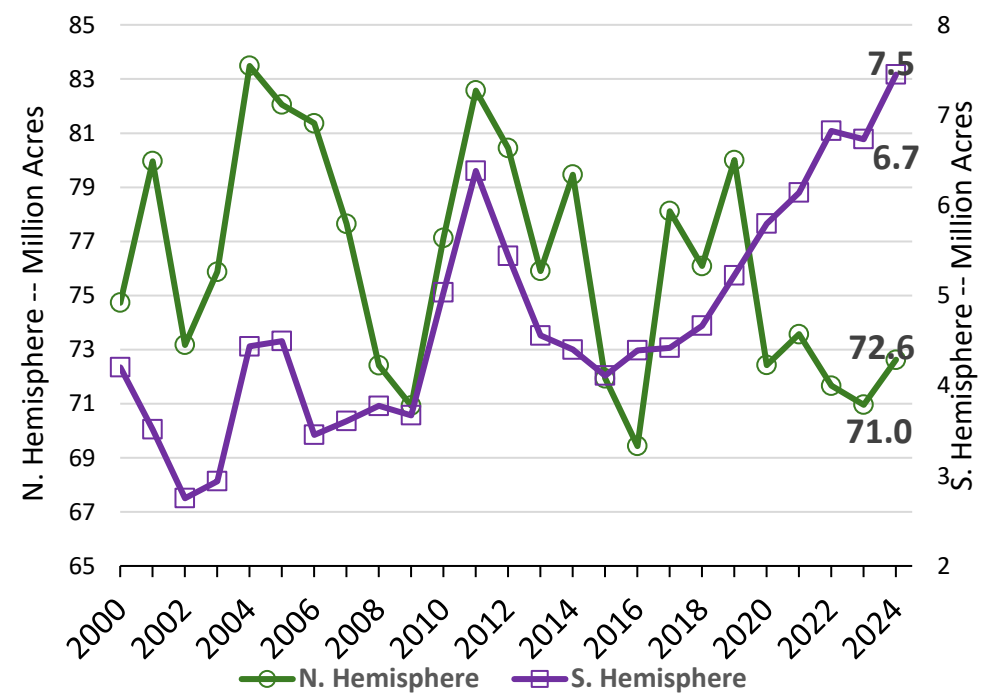
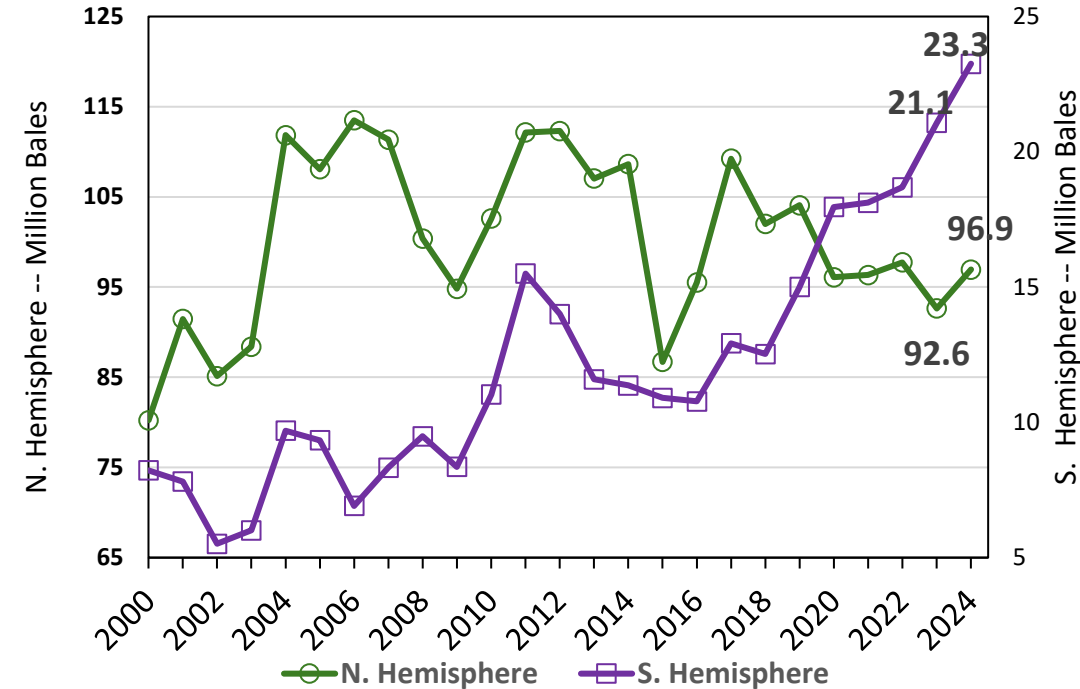
New rules in response to huge imports of low-cost items especially apparels and textiles from China. **50% of all De Minimis shipments are apparel & textile items.**

All items covered under section 301 Tariffs would **NOT** get De Minimis exemption- 70% of apparel & textile imports from China is subjected to Tariffs under this section.

Proposal to end De Minimis rule exemption for all textile and apparel Imports.

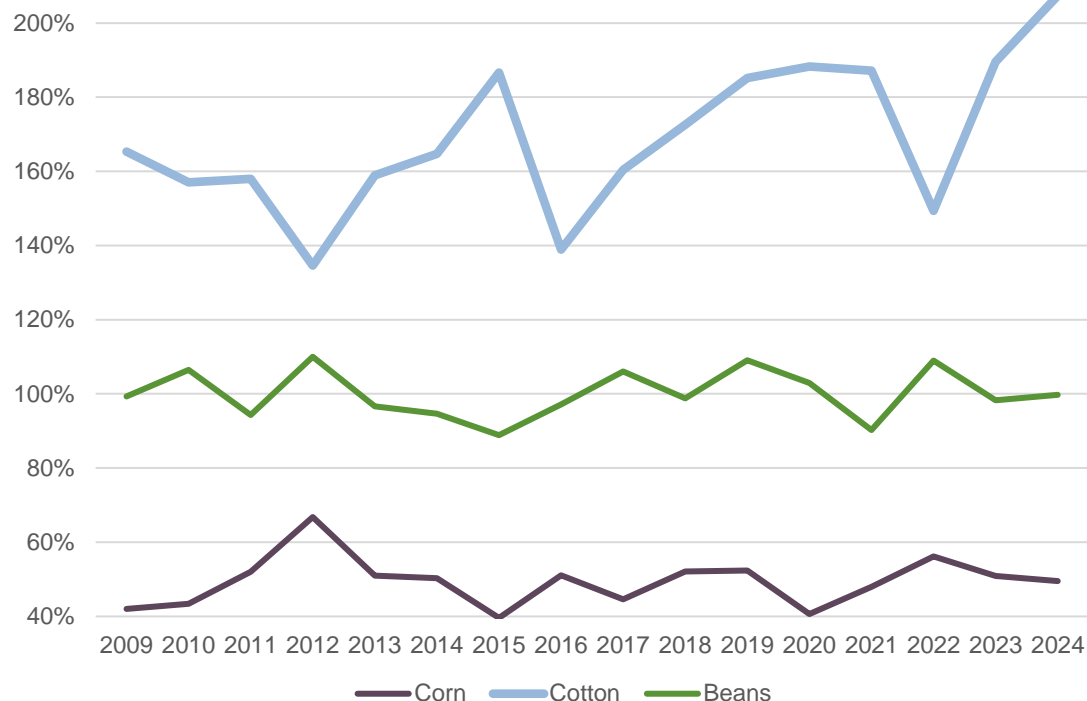
Supply Still Plentiful – Brazil leading charge

N. Hemisphere and S. Hemisphere Cotton Production

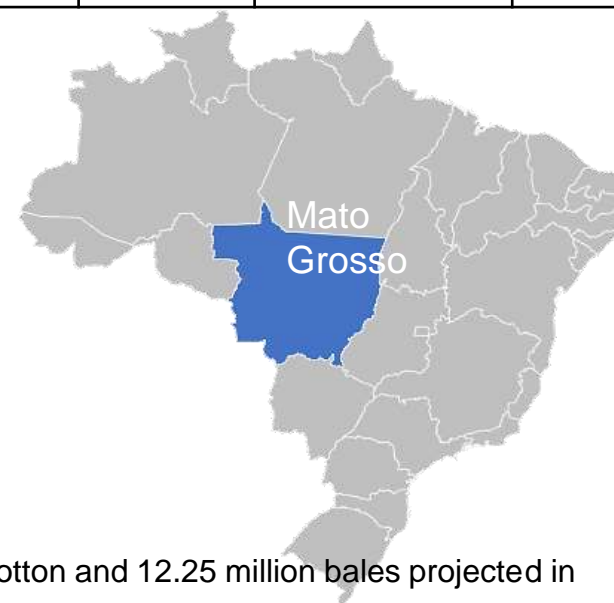


Brazil vs USA – Brazil loves cotton!

Yield Ratio for Brz vs USA

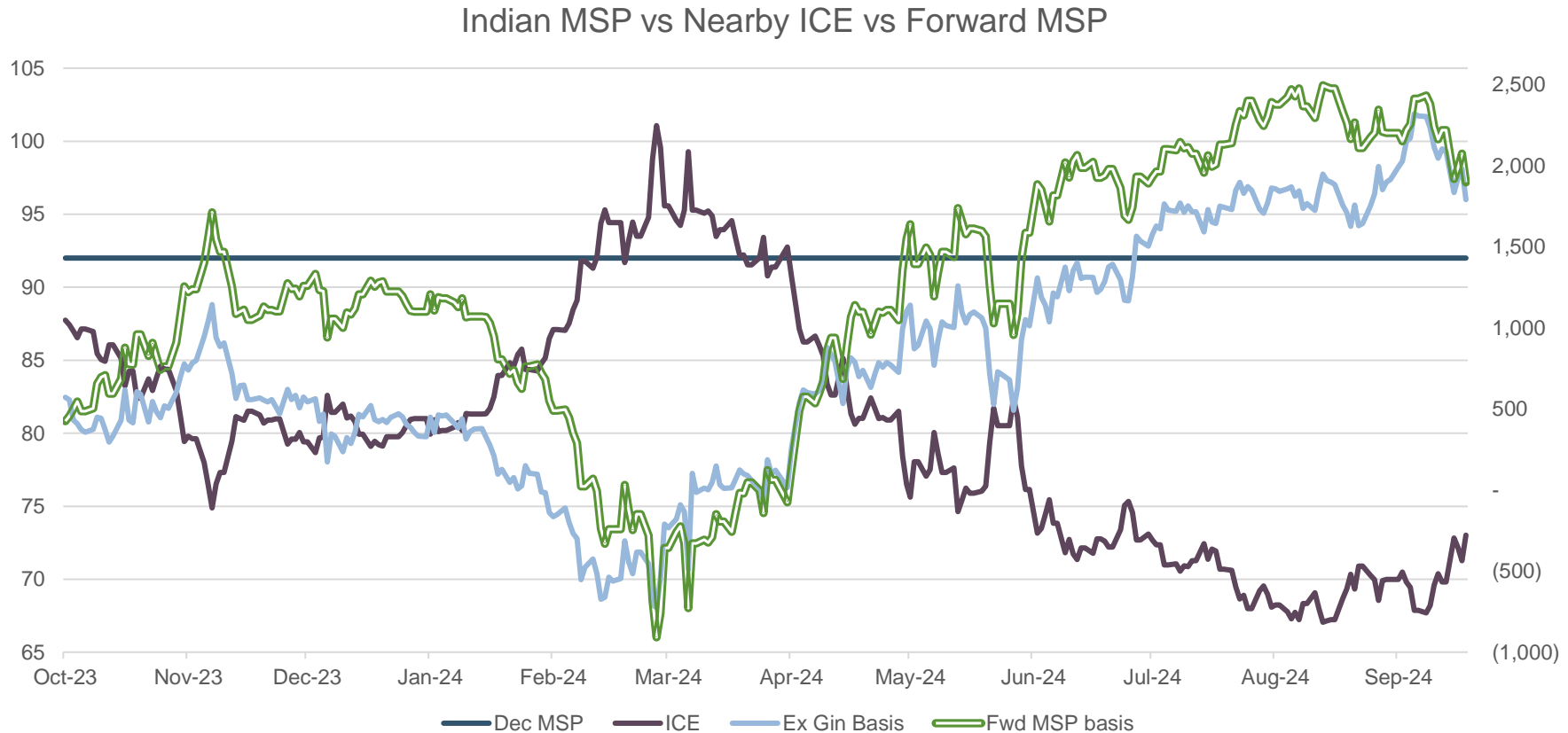


Cotton Production Mln bales 480s	2024	5% Shift from Corn Area	50% Shift from Corn Area
Mato Grosso	12.25	15.1	40.6
All Brazil	16.7	19.55	45



- Mato Grosso is the largest cotton producing state in Brazil with 1.47m hectares under cotton and 12.25 million bales projected in 2024 (8.3 bales per ha)
- Cotton is grown as a second crop in Mato Grosso after Soybean which is the main crop
- Mato Grosso has 6.8 million ha of corn planted in 2nd crop, which competes with cotton for area
- A 5% shift of Mato Grosso's corn acreage to cotton would add 340,000 ha and over 2.83m bales of cotton.

World forcing India to be a demand point



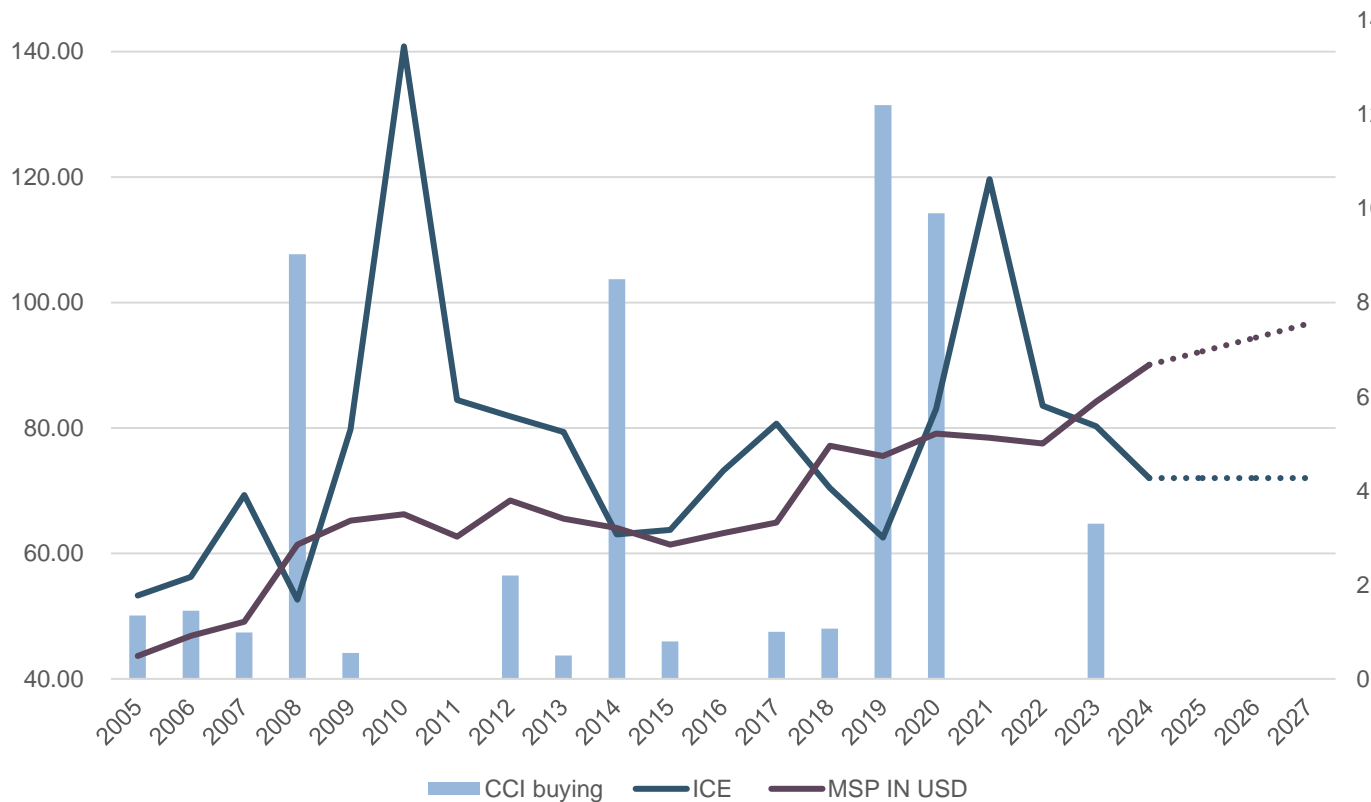
Nearby basis high BUT
MSP is so high, India has already booked the highest imports by Sep ever !

In a little distant future

Brazil will continue to grow cotton....
Who can step up to be the big buyer?
One Candidate is there .. Any Guesses?

At Current rate of MSP
increase, India will
demand imports in the
front half of year

MSP vs ICE

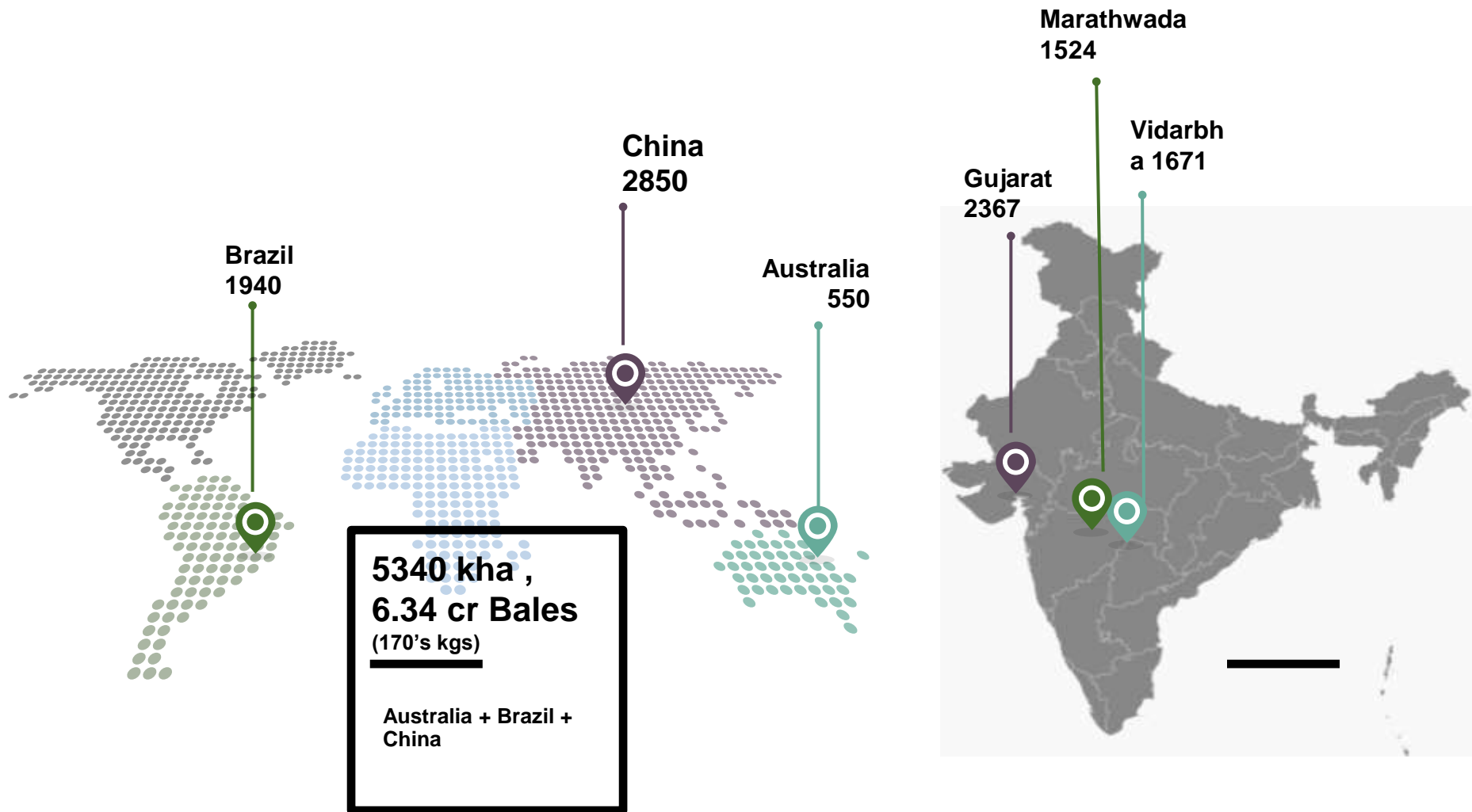


Demand for Traceable
and Sustainable Fiber will
continue to grow

Regulations [like EUDR]
will continue to impact
commodity markets

Can Cotton increase its
share in Fiber Mix?

India's Potential or Day-Dream?



Short Term

India becomes a demand point for short term – Govt + Industry to bear the burden of MSP

US Supply + China [& World] Demand needs to be watched

When will Retailers start restocking?

Longer Term

Brazil is unavoidable

Uphill battle for Indian Mills + Industry unless MSP program changes in form

Can Cotton recover fiber share?

Can India live up to its potential??

Thank You