

Cotton Economic Outlook

September 23, 2015



The Role of the National Cotton Council

Representing the Seven Segments of the U.S. Cotton Industry:

- Producers
- Ginners
- Warehousemen
- Cottonseed
- Marketing Cooperatives
- Merchants
- U.S Textile Manufacturers

NCC MISSION

- Ensure the ability of all U.S. cotton industry segments to compete effectively and profitably in the raw cotton, oilseed and U.S.-manufactured product markets at home and abroad
- Serves as the central forum for consensus-building among producers, ginner, warehouse, merchants, cottonseed processors/dealers, cooperatives and textile manufacturers

NCC MISSION

- Unifying force in working with the government to ensure that cotton's interests are considered
- Mission and objectives are carried out with the help of democratically-developed policy
- Annual policymaking is initiated through recommendations generated by the Council's six program committees



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Economics: Market News, Stats & Analysis

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Crop Information

Cost & Returns, Cottonseed Products, County Database, Crop Progress, Ginnings, National & State Database, Production & Acreage, RMA County Yield Database, Quality, Supply & Demand, Varieties Planted, Weekly Exports, World Cotton Database, World of Cotton

COTTON BALANCE SHEET

U.S. Balance Sheet

Million bales

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 Est. | Change |
|-------------|---------|---------|---------|-----------------|--------|
| Production | 17.3 | 12.9 | 16.3 | 13.4 | 2.9 |
| Mill Use | 3.5 | 3.6 | 3.6 | 3.7 | 0.1 |
| Exports | 13.0 | 10.5 | 11.2 | 10.2 | -2.8 |
| End. Stocks | 3.8 | 2.4 | 3.7 | 3.2 | -0.5 |
| Stocks/Use | 23% | 17% | 25% | 23% | |

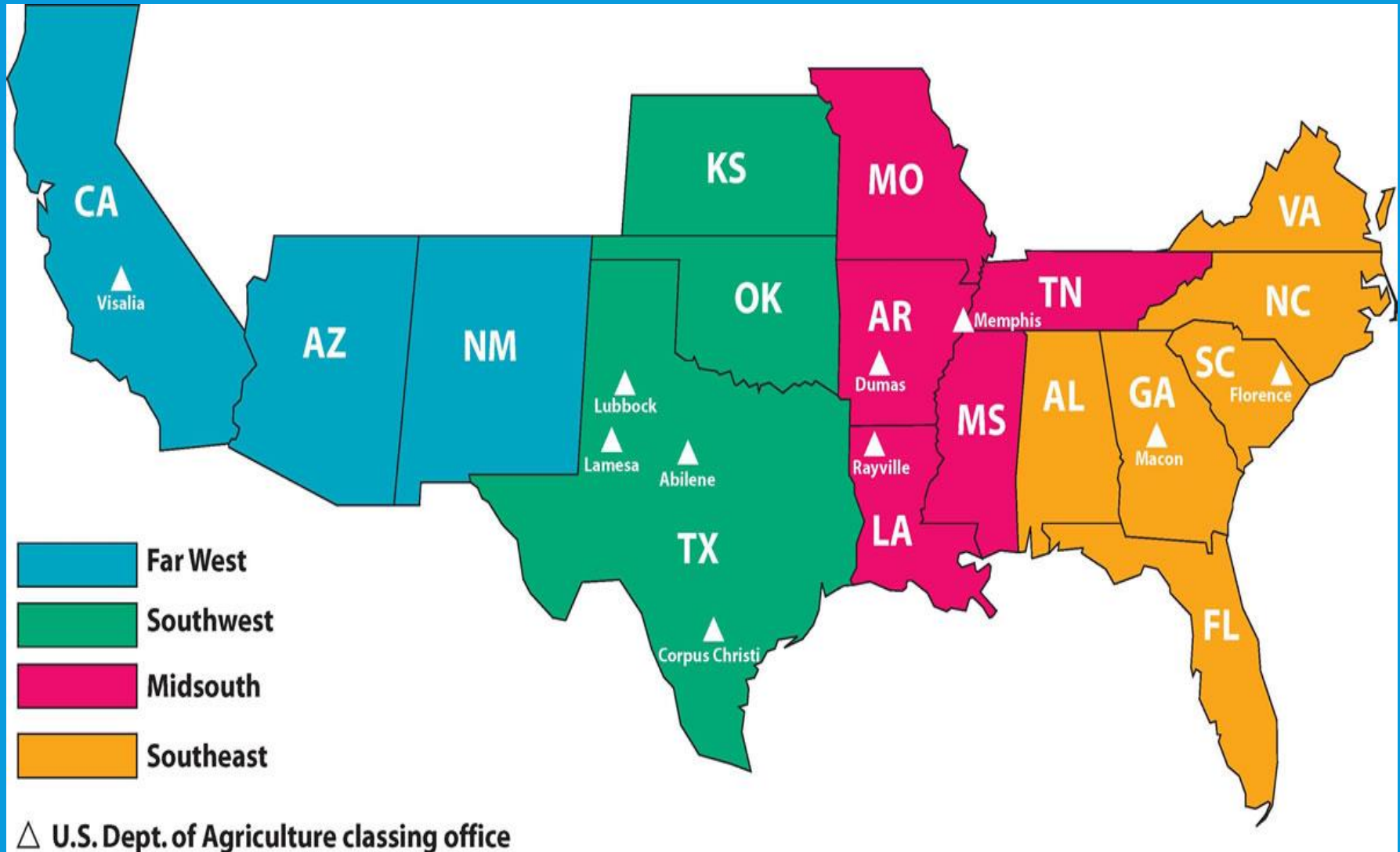
World Balance Sheet

Million bales

| | 2013/14 | 2014/15 | 2015/16 Est. | Change |
|-------------|---------|---------|-----------------|--------|
| Production | 120.5 | 119.0 | 110.9 | -8.1 |
| Mill Use | 110.1 | 111.8 | 113.4 | 1.6 |
| Trade | 40.9 | 35.5 | 34.3 | -1.2 |
| End. Stocks | 103.1 | 110.7 | 106.3 | -4.4 |
| China | 62.7 | 66.9 | 64.6 | -2.3 |
| All Others | 40.4 | 43.8 | 41.7 | -2.1 |

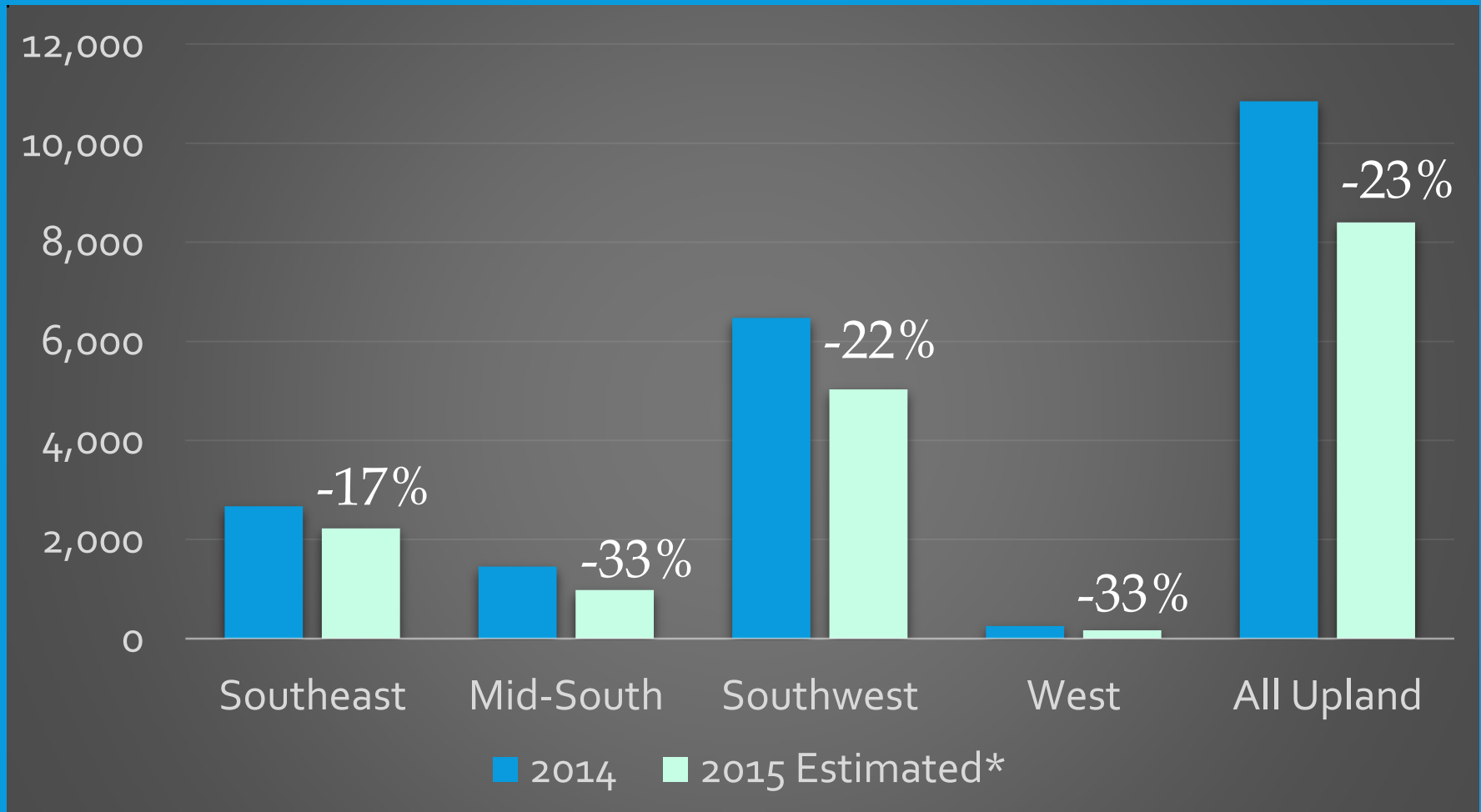
U.S. COTTON ACREAGE

U.S. Cotton Production Regions



2015 U.S. Upland Cotton Planted Acreage

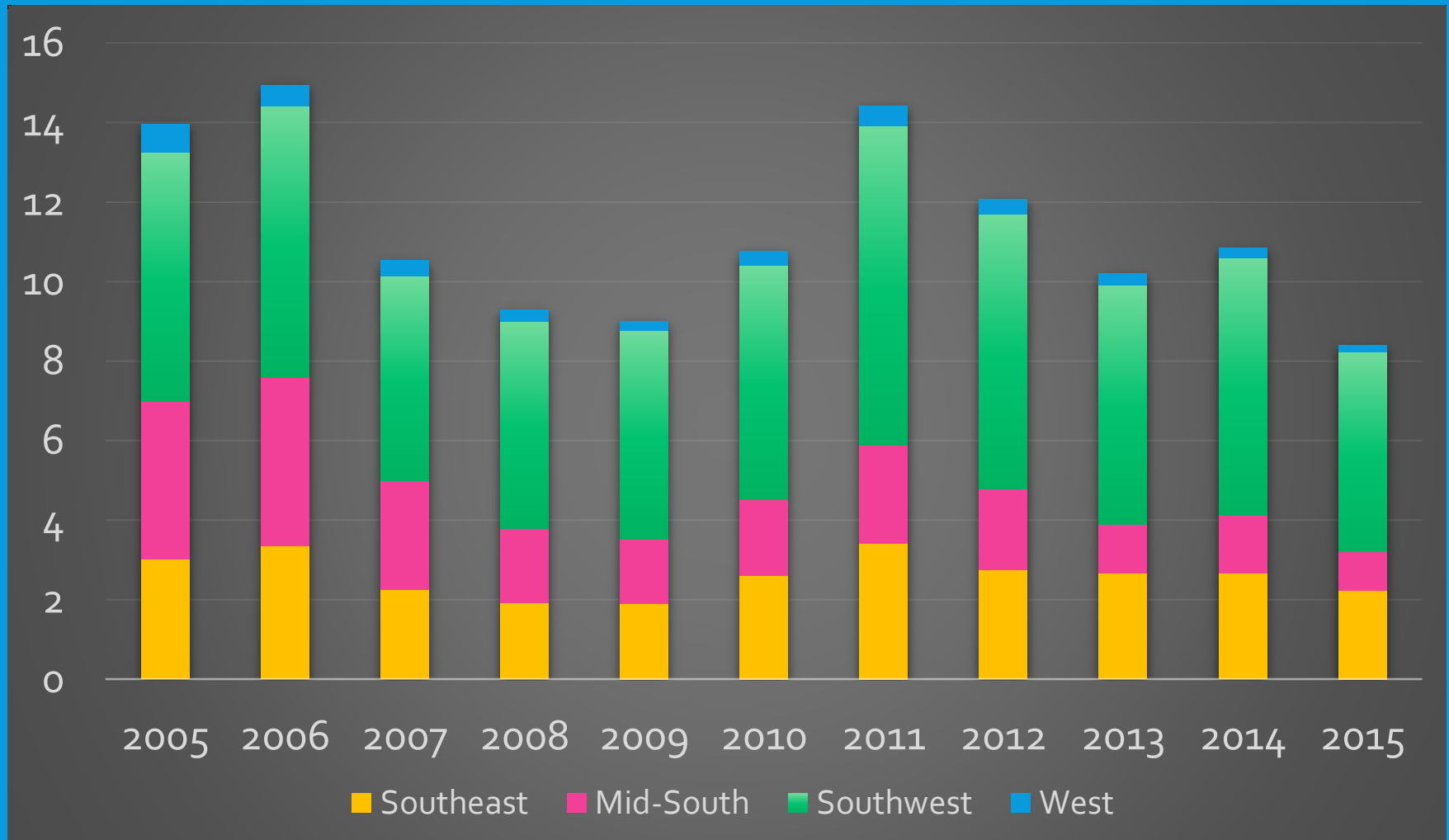
Thousand Acres



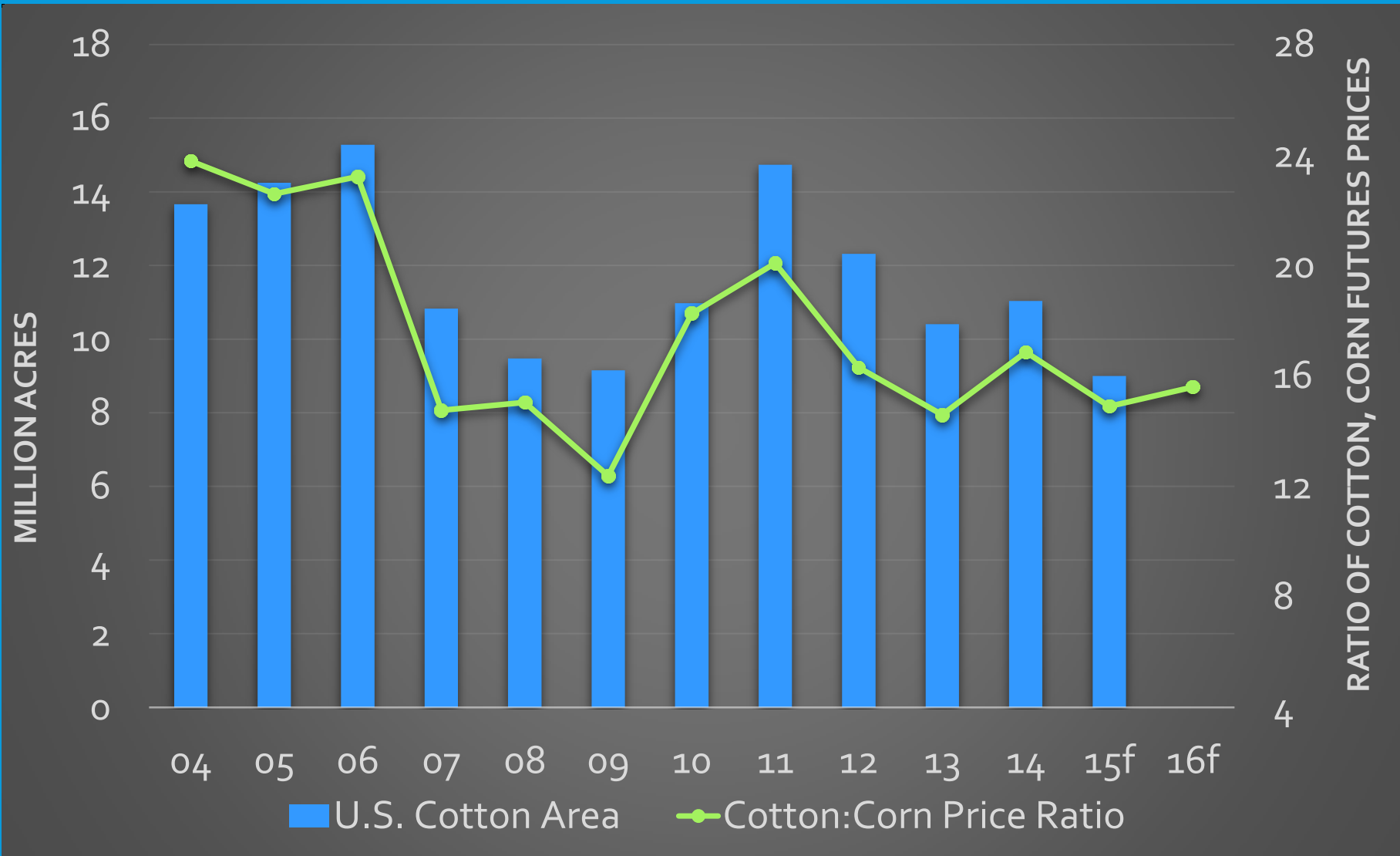
**USDA-NASS*

U.S. Upland Cotton Planted Acreage

Million Acres

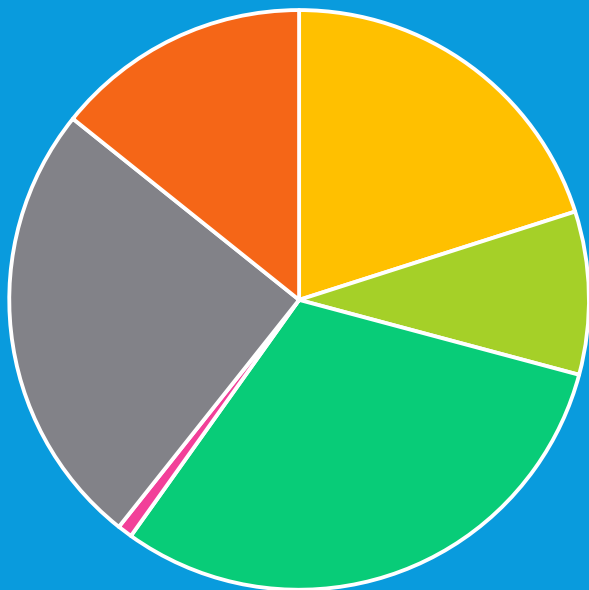


US Cotton Area Responds to Market Signals



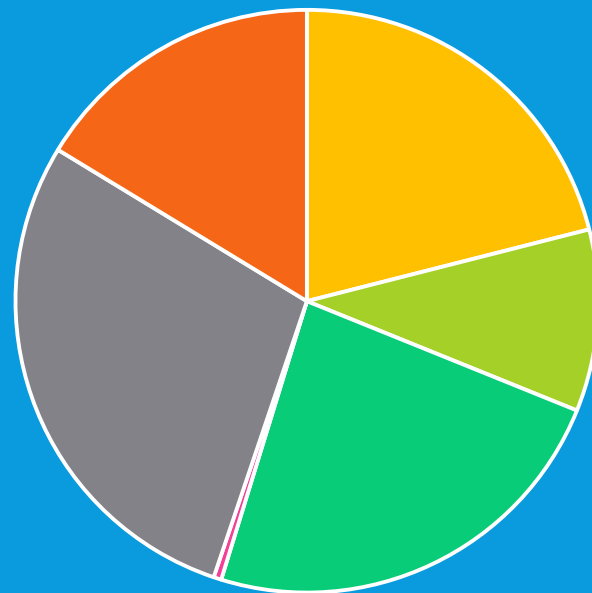
SOUTHEAST

Southeast 98-02



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

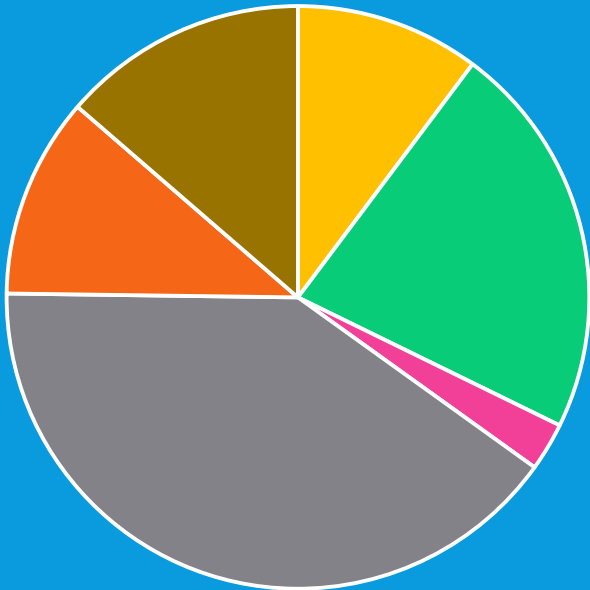
Southeast 11-15



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

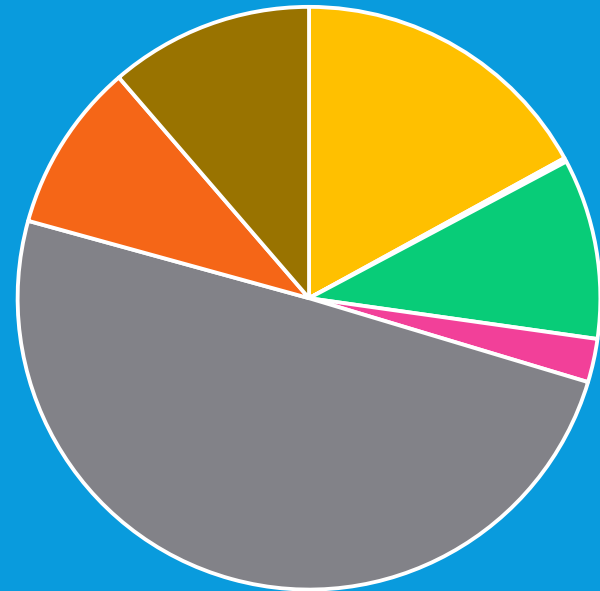
MID-SOUTH

Mid-South 98-02



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

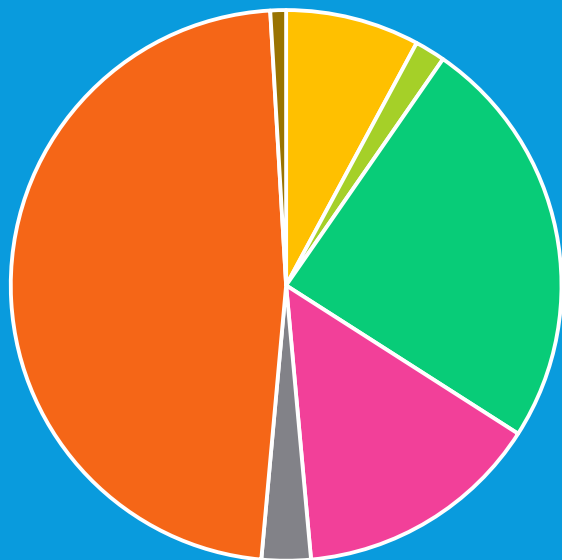
Mid-South 11-15



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

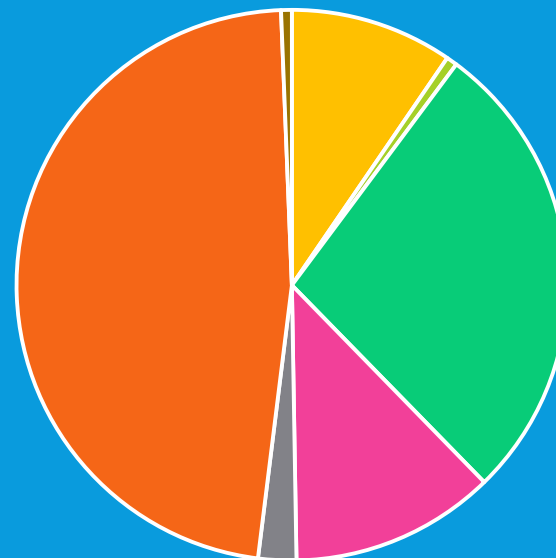
SOUTHWEST

Southwest 98-02



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

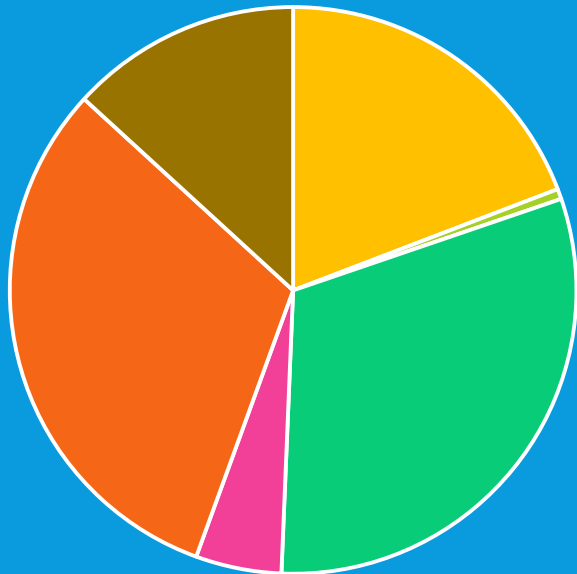
Southwest 11-15



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

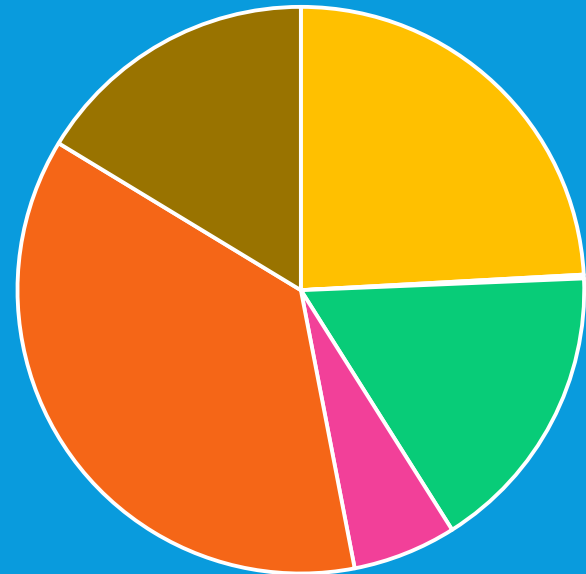
WEST

West 98-02



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

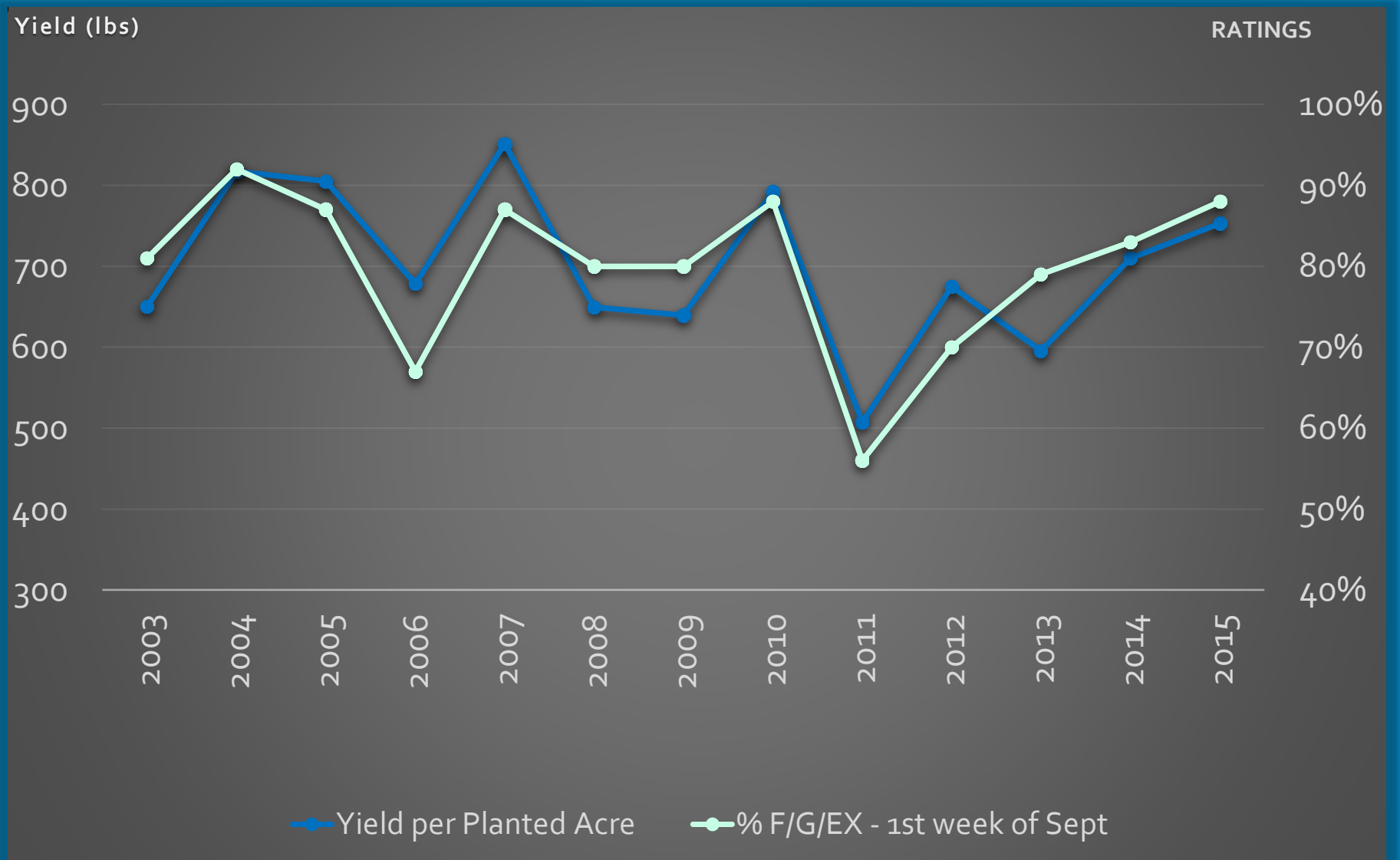
West 11-15



■ Corn ■ Peanuts ■ Cotton
■ Sorghum ■ Soybeans ■ Wheat
■ Rice

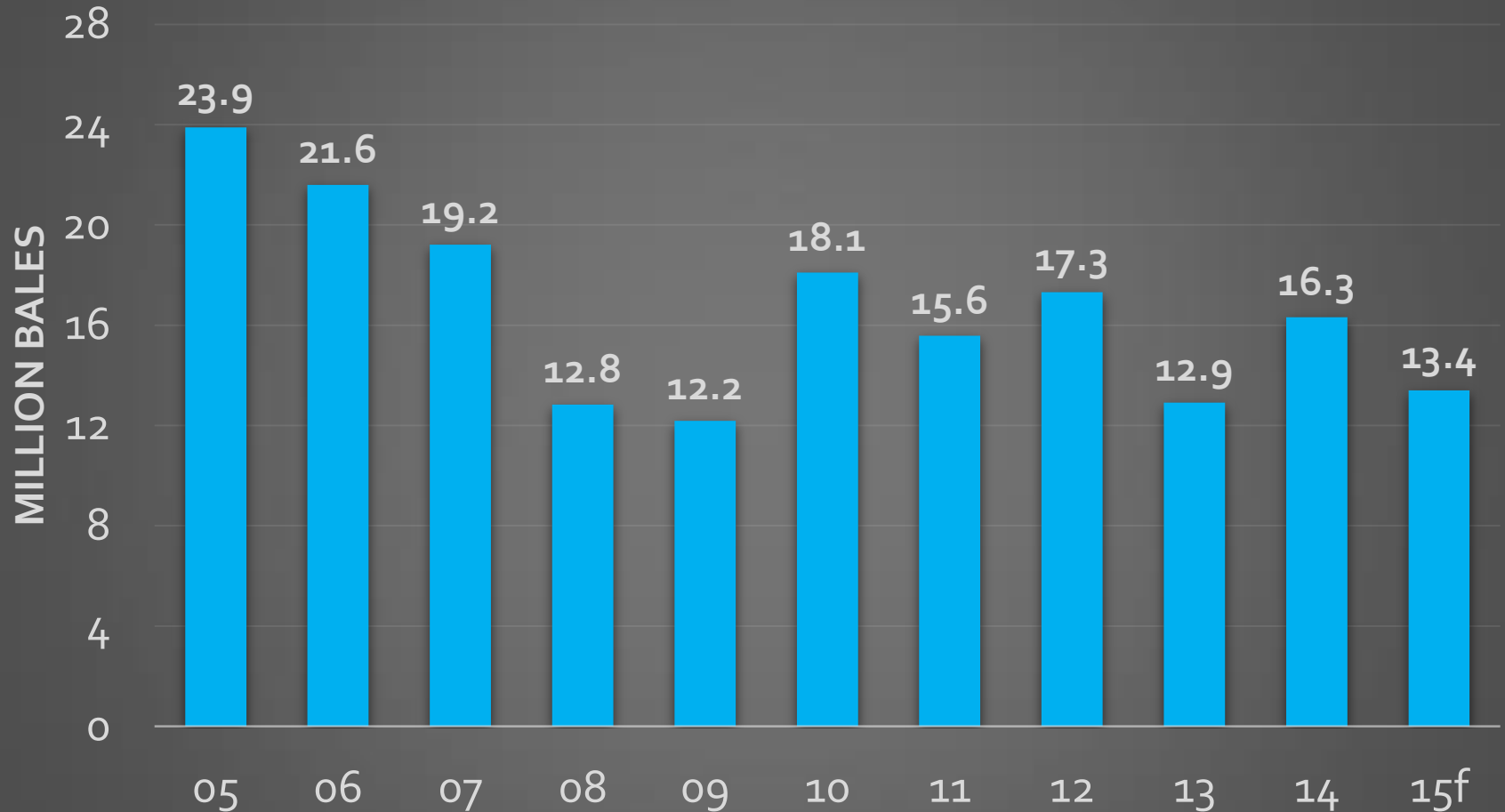
U.S. CROP CONDITIONS

U.S. Crop Yield vs. Crop Ratings



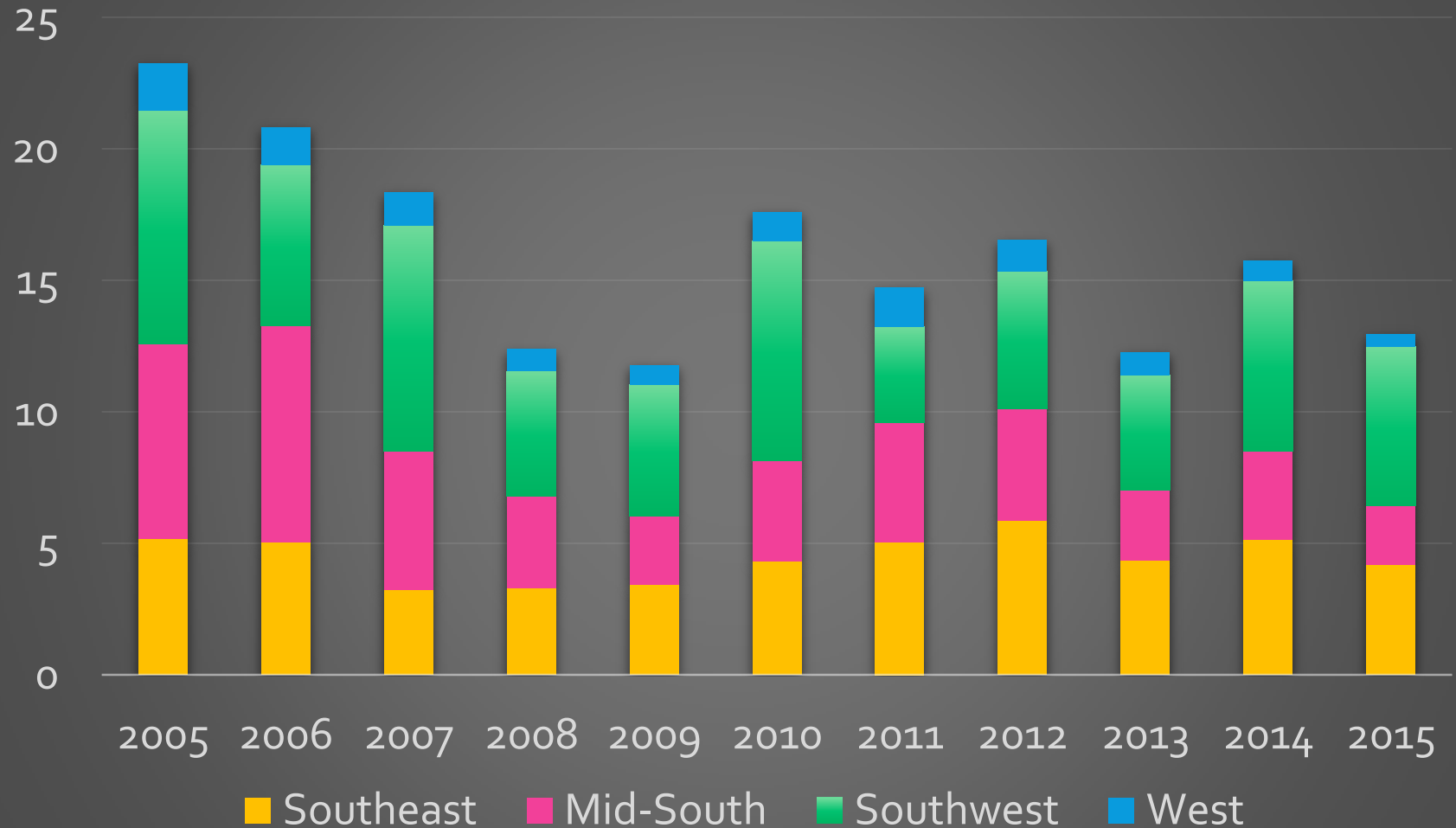
U.S. COTTON SUPPLY

U.S. Cotton Production



U.S. Upland Cotton Production

Million Bales



2015 U.S. Cotton Production by Region

1,000 bales

| | 2014 Actual | 2015 Estimated* | % Change |
|------------|----------------|--------------------|----------|
| Southeast | 5,160 | 4,205 | -18.5% |
| Mid-South | 3,333 | 2,220 | -33.3% |
| Southwest | 6,492 | 6,062 | -6.6% |
| West | 768 | 490 | -36.2% |
| Upland | 15,753 | 12,977 | -17.6% |
| ELS | 566 | 451 | -20.3% |
| All Cotton | 16,319 | 13,428 | -17.7% |

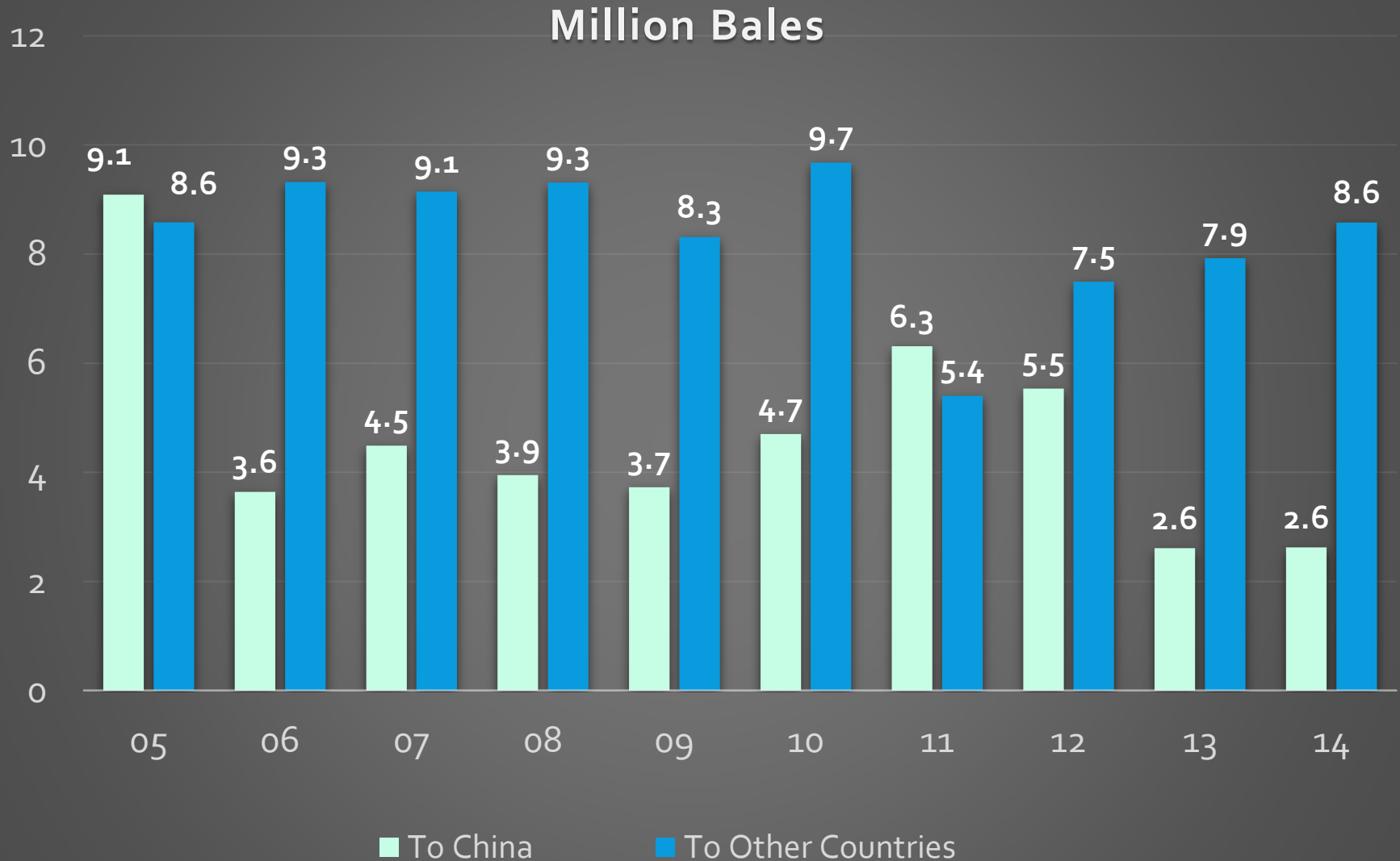
**USDA-NASS*

U.S. Upland Cotton Yields

| Average Yield per Harvested Acre (lbs) | | | |
|--|-----------|-----------|-----------|
| | 1998-2000 | 2007-2009 | 2013-2015 |
| Southeast | 587 | 813 | 885 |
| Mid-South | 652 | 890 | 1106 |
| Southwest | 477 | 716 | 635 |
| West | 1,165 | 1469 | 1505 |
| Total | 613 | 811 | 802 |

U.S. DEMAND

U.S. Cotton Exports



U.S. Export Customers

1,000 bales

| | 2014/15 Quantity | 2014/15 Share | 5Yr Avg Quantity | 5Yr Avg Share |
|-----------|---------------------|------------------|---------------------|------------------|
| China | 2,607 | 23% | 4,654 | 37% |
| Vietnam | 1,725 | 15% | 734 | 6% |
| Turkey | 1,526 | 14% | 1,886 | 15% |
| Indonesia | 966 | 9% | 622 | 5% |
| Mexico | 871 | 8% | 1,135 | 9% |

WORLD SUPPLY & DEMAND

China's Role in the World Market

- ❑ World's largest cotton producer (until 2015)
- ❑ Largest cotton spinner
- ❑ Largest importer of cotton
- ❑ Holds more than one-half of the world's stocks of cotton

China Cotton Policy

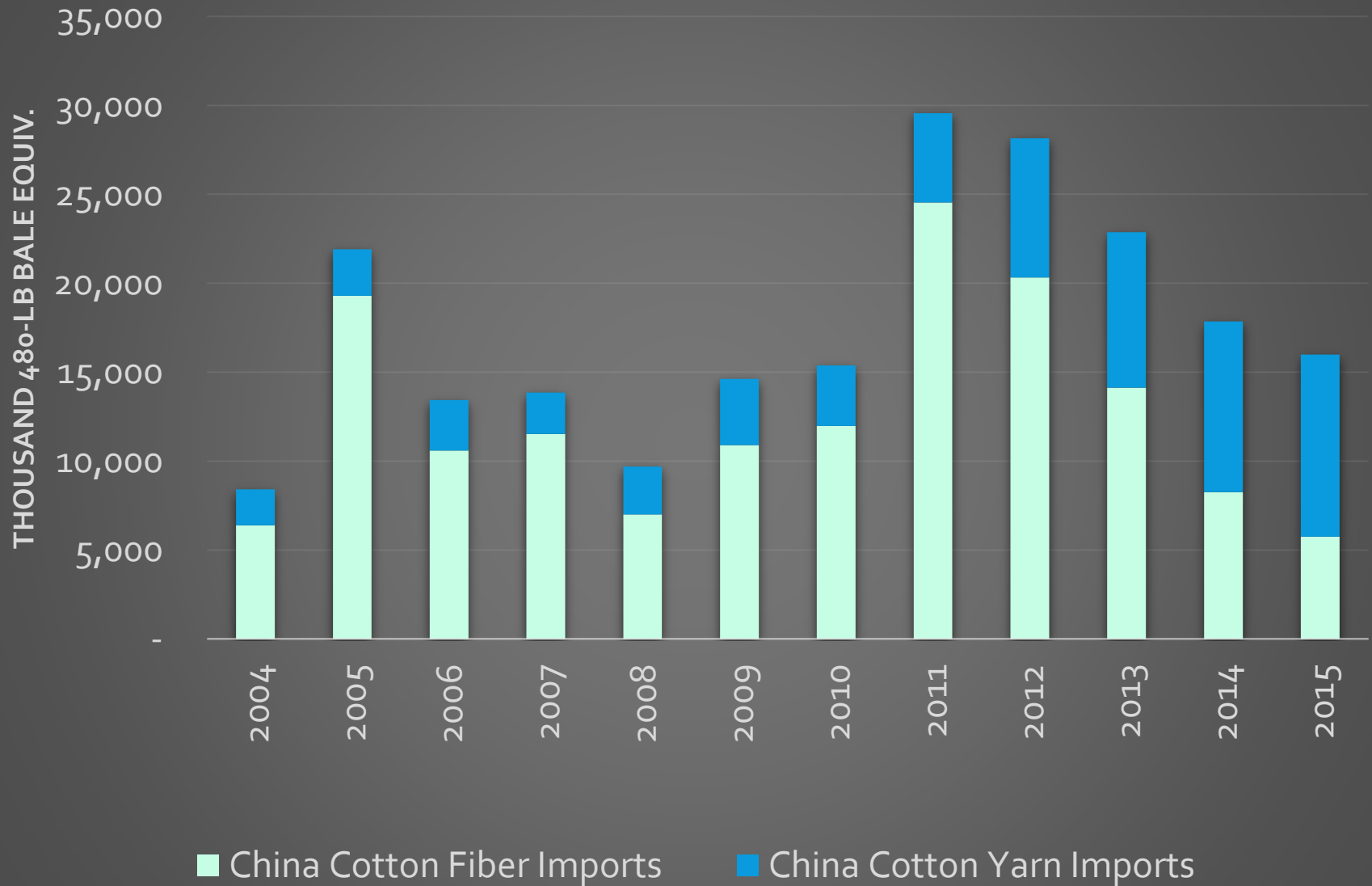
- ❑ Accumulating reserves ended with the 2013 crop
- ❑ Target price program for Xinjiang
- ❑ Reserve Auctions
 - ❑ Planned to auction 4.6 million bales by Aug. 31 (97-111 cents per lb)
 - ❑ Only sold about 5%

China Balance Sheet

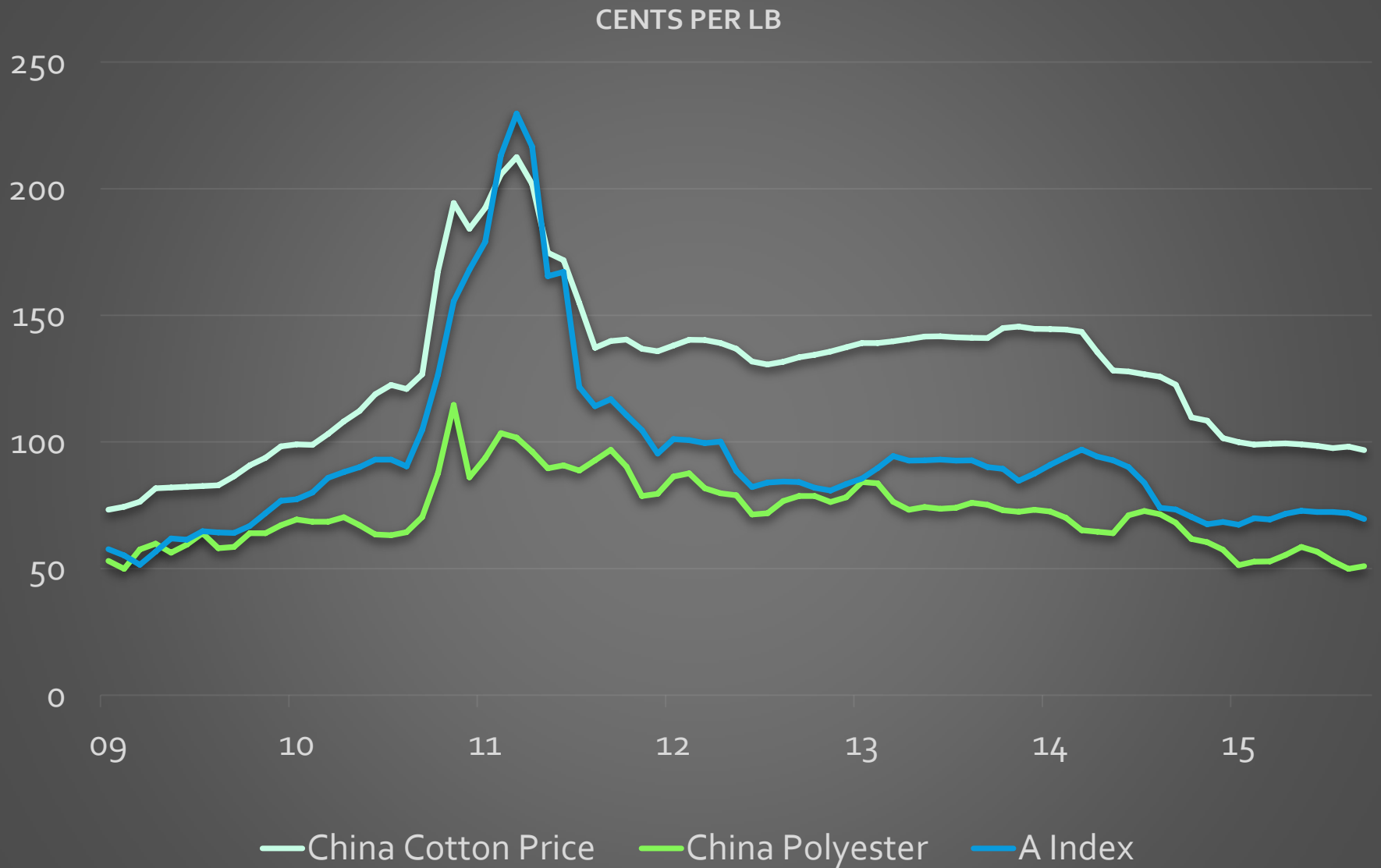
Million bales

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Change |
|-------------|---------|---------|---------|---------|--------|
| Production | 35.0 | 32.8 | 30.0 | 26.0 | -4.0 |
| Mill Use | 36.0 | 34.5 | 34.0 | 34.0 | 0.0 |
| Imports | 20.3 | 14.1 | 8.3 | 5.8 | -2.5 |
| End. Stocks | 50.4 | 62.7 | 66.9 | 64.6 | -2.3 |
| Stocks/Use | 140% | 182% | 196% | 190% | |

China's Cotton Yarn Imports vs. Cotton Fiber Imports



Fiber Prices



INDIA'S ROLE IN THE WORLD MARKET

- ❑ Largest cotton producer
- ❑ 2nd largest cotton exporter
- ❑ Currently releasing stocks accumulated under minimum price support system
 - ❑ Sold about 6 of the 8 million bales at around 65 cents/lb

India Balance Sheet

Million bales

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 Est. | Change |
|--------------------|---------|---------|---------|-----------------|--------|
| Production | 28.5 | 31.0 | 29.5 | 29.0 | -0.5 |
| Mill Use | 21.8 | 23.4 | 24.5 | 25.7 | 1.2 |
| Exports | 7.8 | 9.3 | 4.0 | 4.9 | 0.9 |
| End. Stocks | 11.8 | 11.4 | 13.6 | 12.9 | -0.7 |
| Stocks/Use | 40% | 35% | 48% | 40% | |

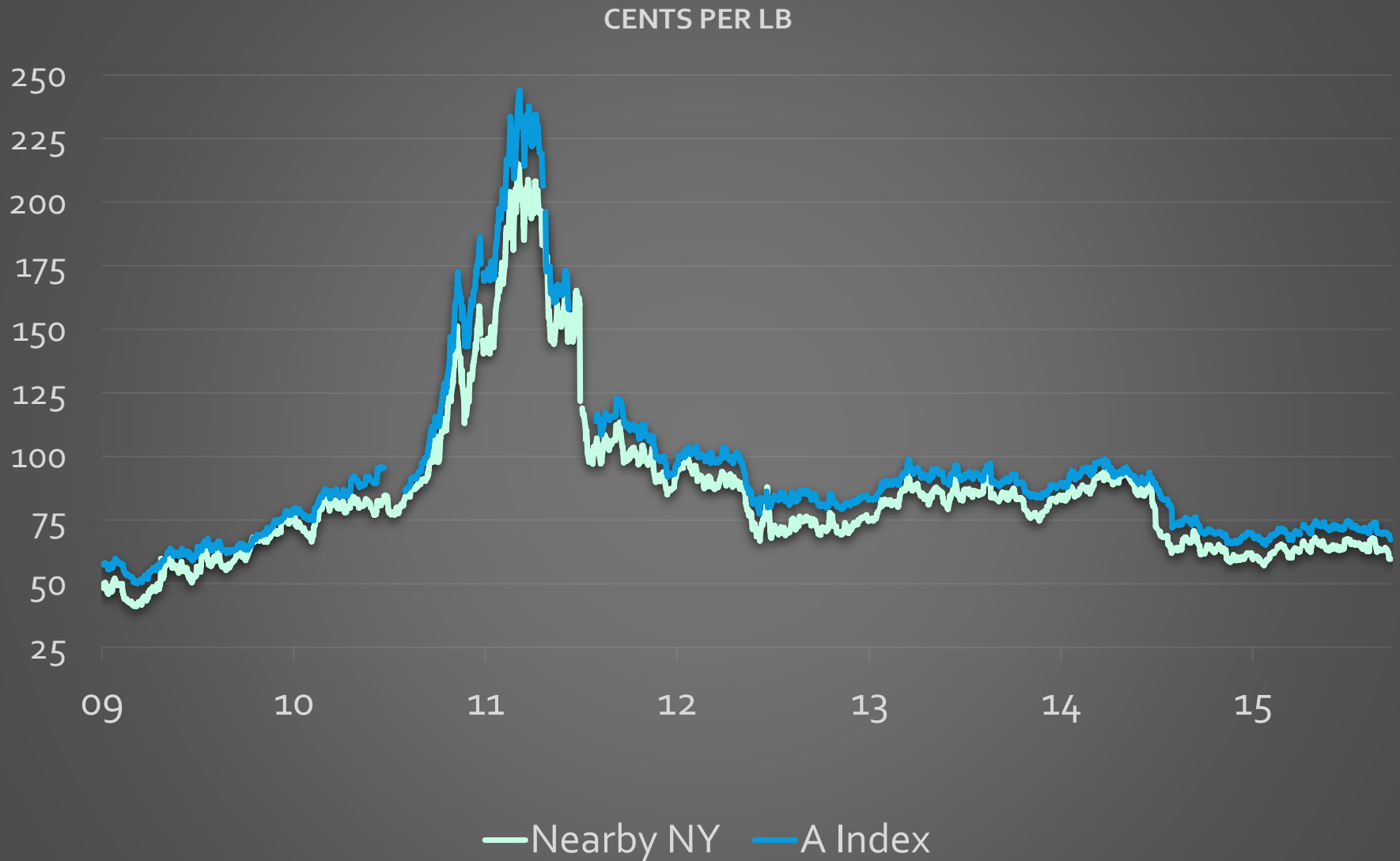
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PRICE SITUATION

Cotton Prices



FACTORS TO WATCH

- Development of U.S. & Indian crops
- Growth in mill use
- Management of stocks
- Influences from other commodities and currencies



Producers Cooperatives

Ginners Cottonseed Merchants

Warehouses Manufacturers