



# 2022 Cotton Outlook

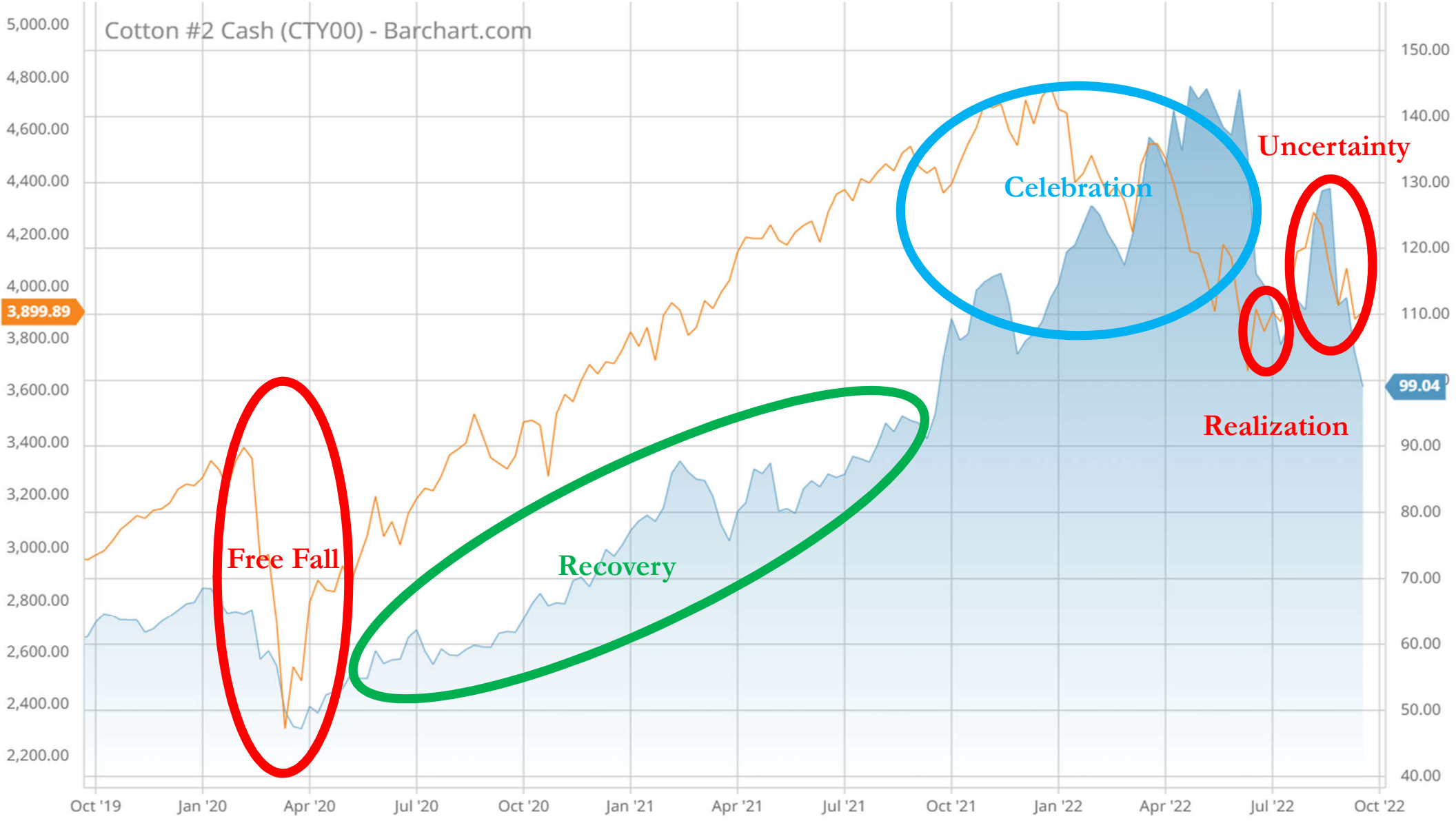
Yangxuan Liu

Agricultural and Applied Economics

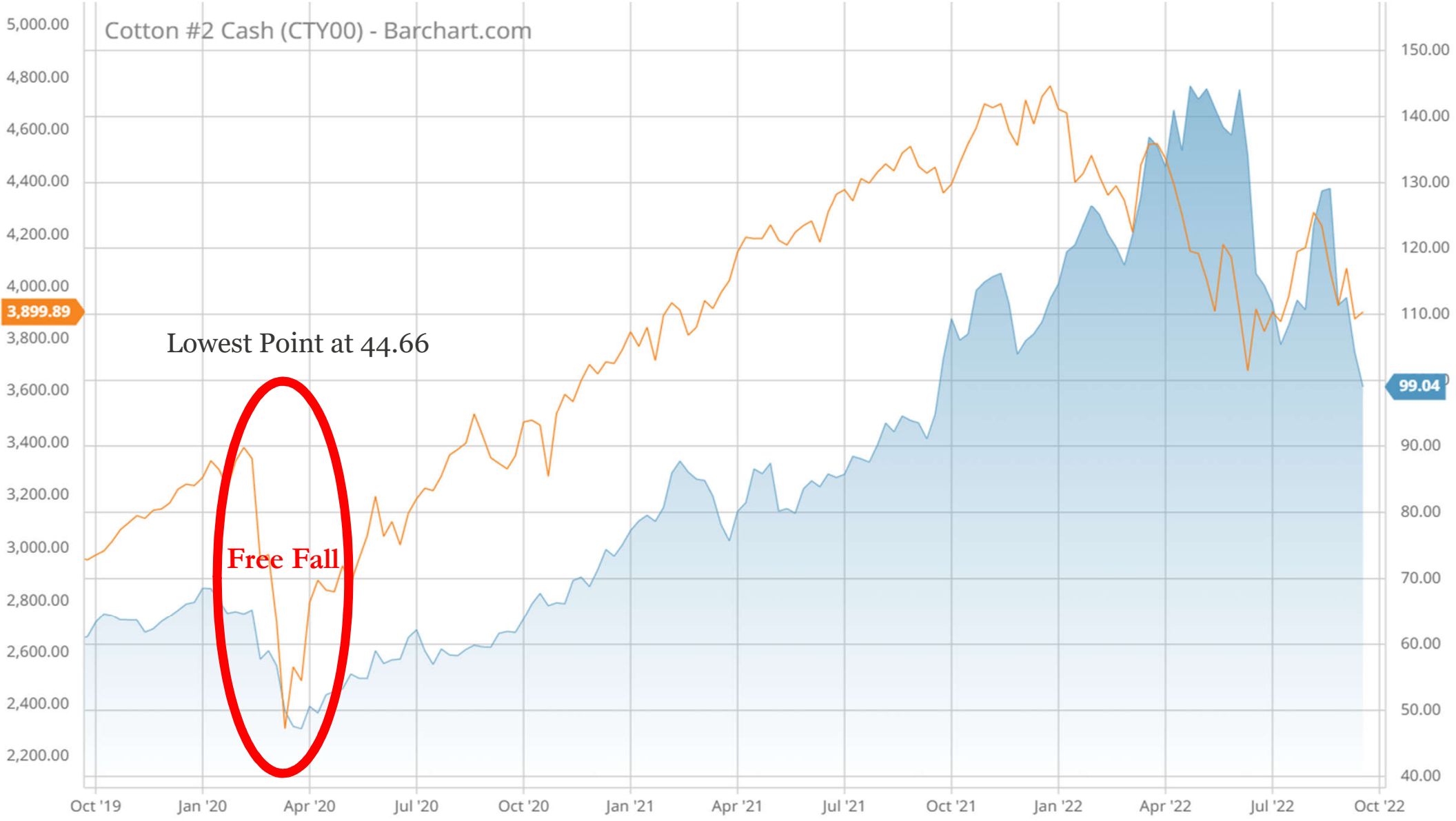
University of Georgia

September 19, 2022 Southern Outlook Conference

Cotton #2 Cash (CTY00) - Barchart.com



Cotton #2 Cash (CTY00) - Barchart.com



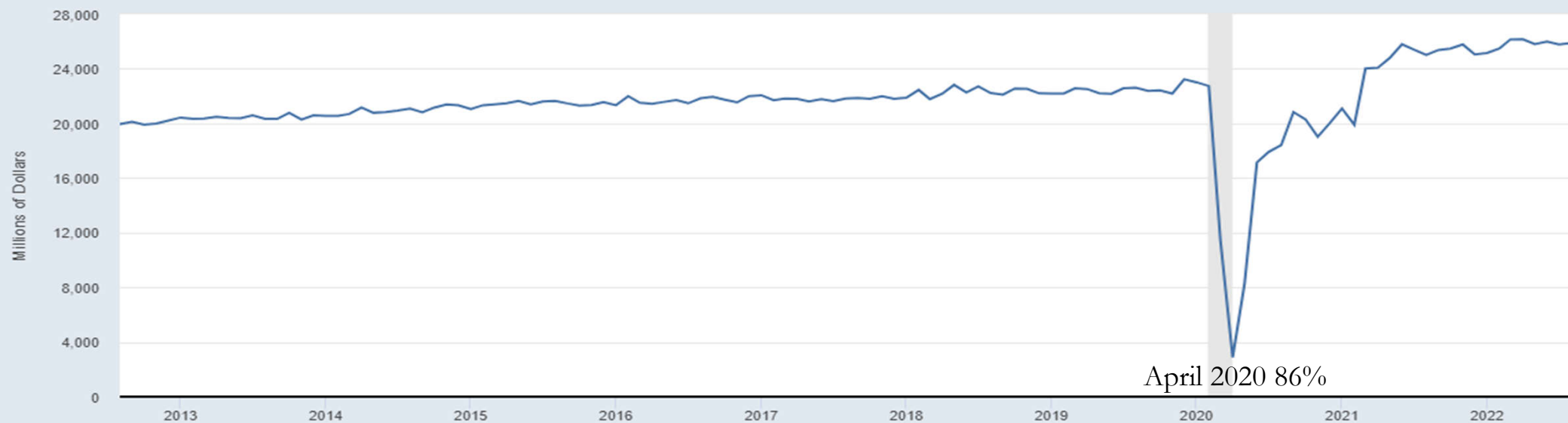
# 2020 Whirlwind of Uncertainty



- The unfold of the pandemic severely interrupted the global cotton supply chain.

Photo Source: Knowledge@Wharton

**FRED** — Advance Retail Sales: Clothing and Clothing Accessory Stores

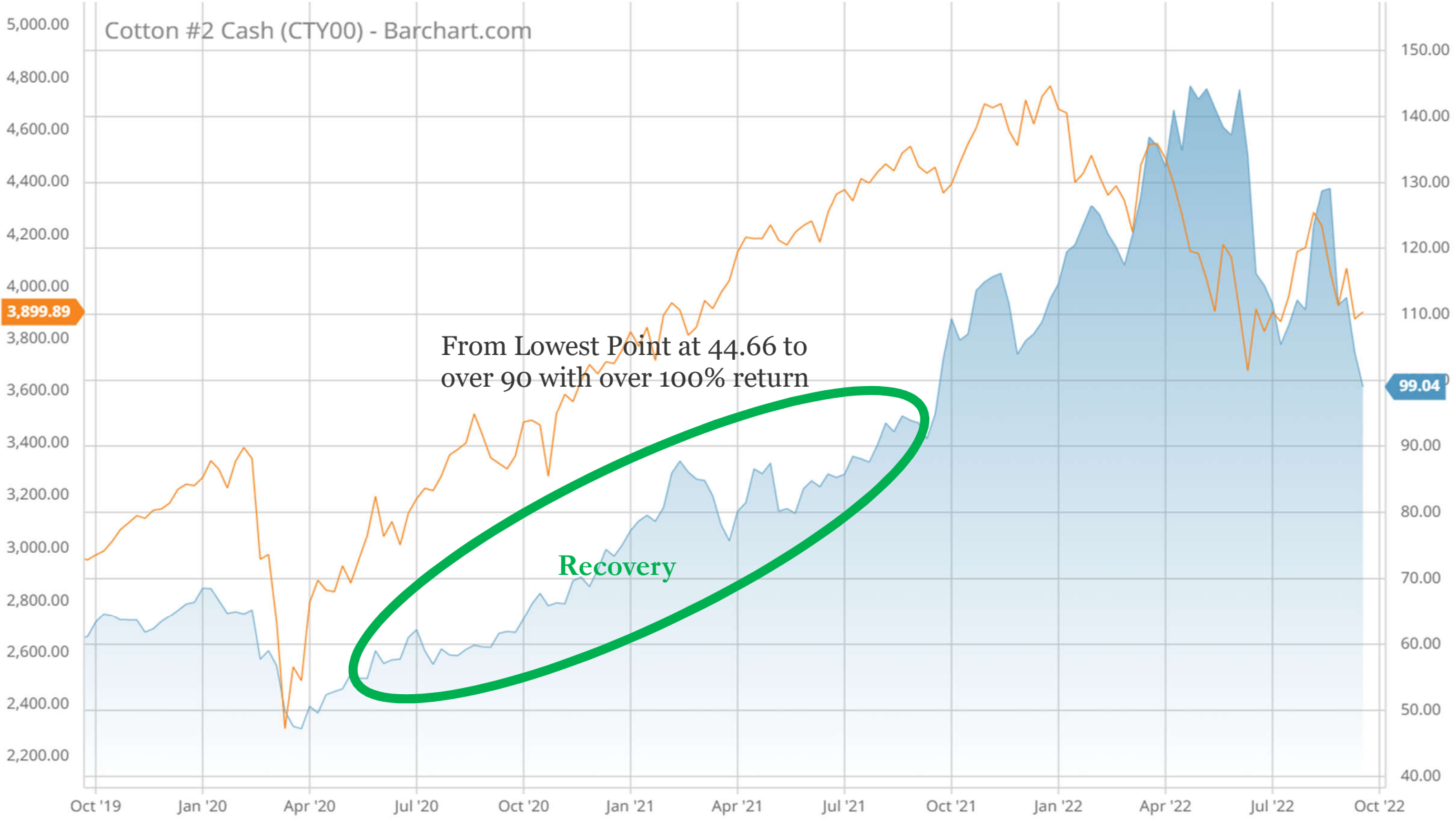


Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

fred.stlouisfed.org

Cotton #2 Cash (CTY00) - Barchart.com



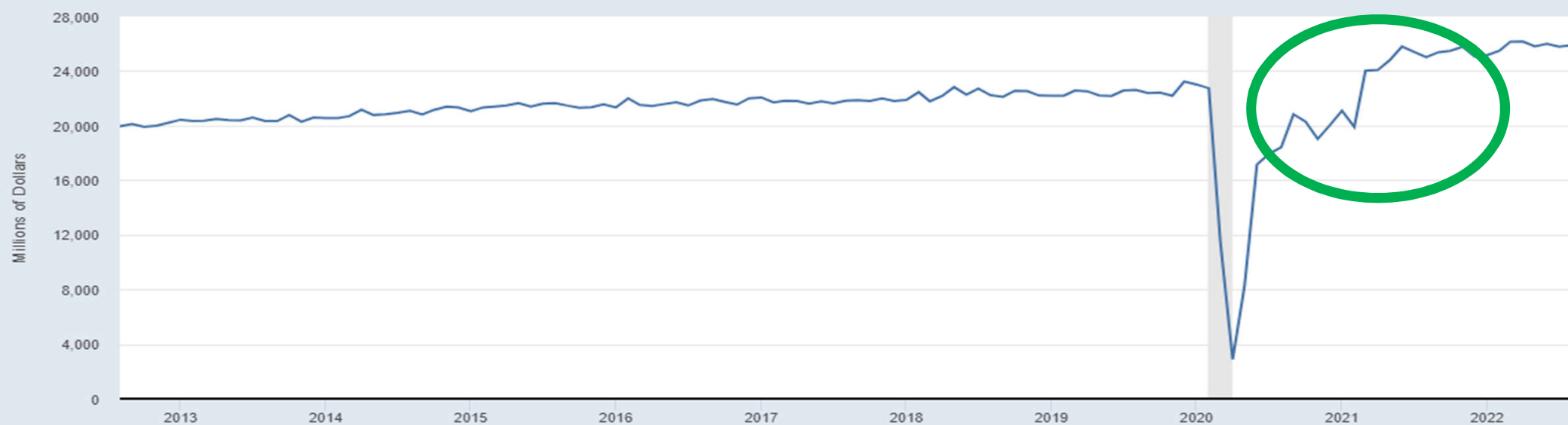
From Lowest Point at 44.66 to over 90 with over 100% return

Recovery

3,899.89

99.04

**FRED** — Advance Retail Sales: Clothing and Clothing Accessory Stores



Shaded areas indicate U.S. recessions.

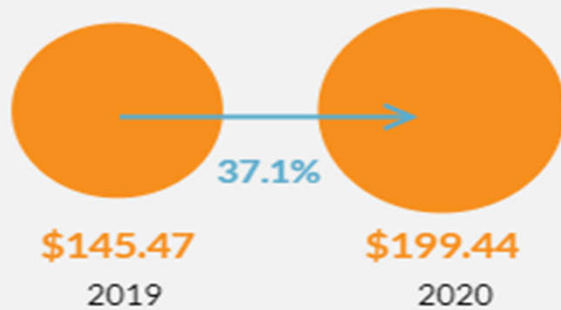
Source: U.S. Census Bureau

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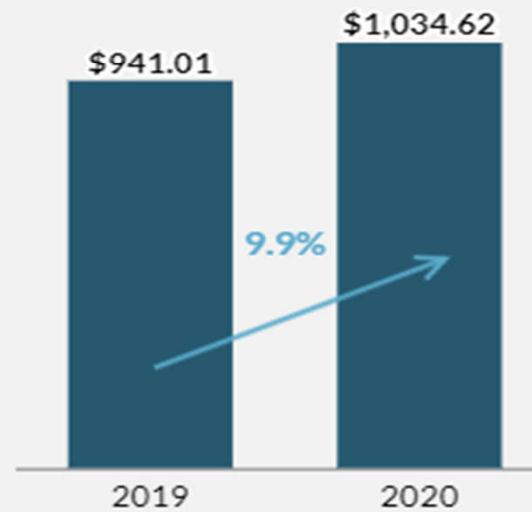


## US retail landscape during Q3 2020 , in \$billions

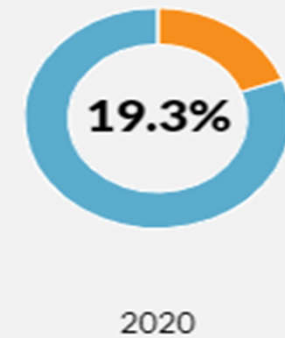
### Ecommerce sales



### Total retail sales\*



### Web penetration

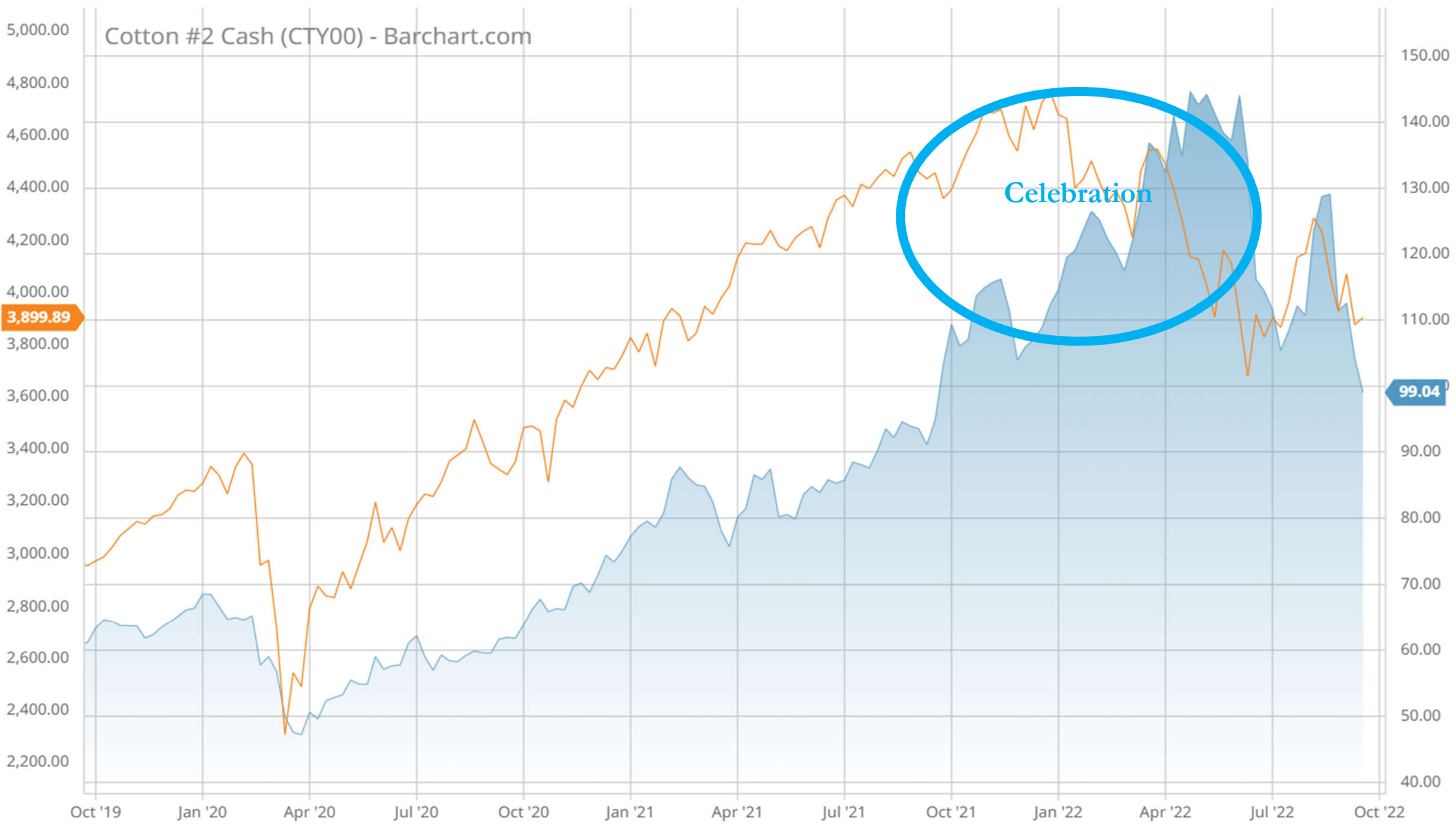


Source: Digital Commerce 360 analysis of U.S. Department of Commerce data

\*Total retail figures exclude sales of items not normally purchased online such as spending at restaurants, bars, automobile dealers, gas stations and fuel dealers



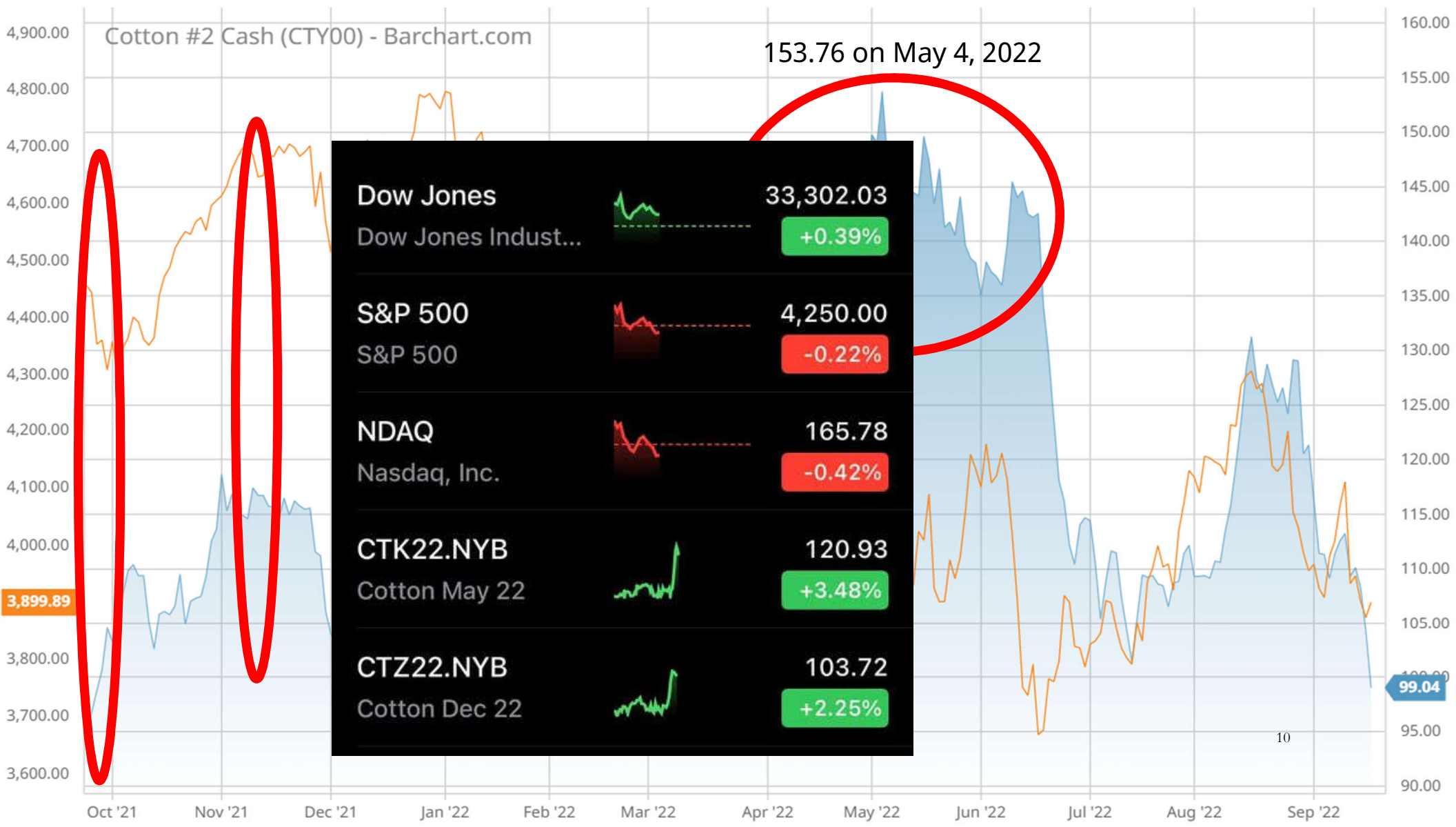
Cotton #2 Cash (CTY00) - Barchart.com



3,899.89

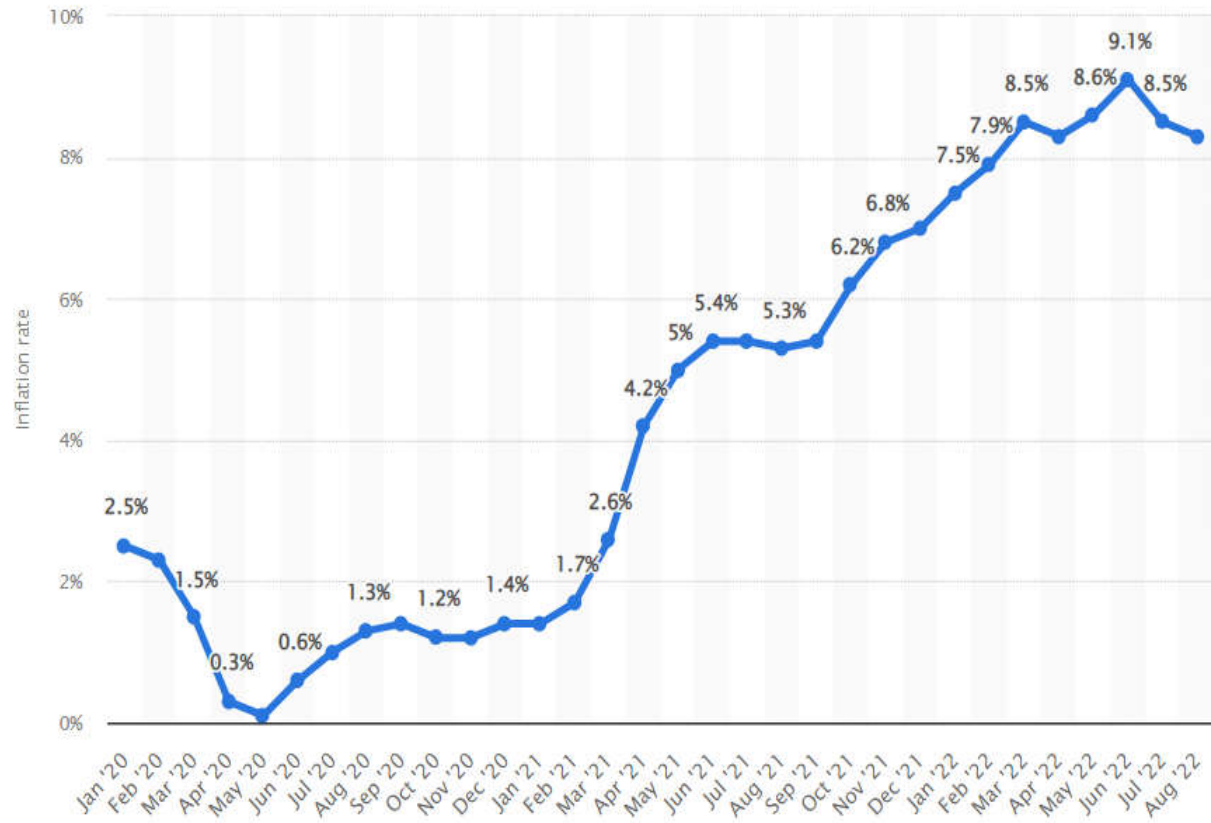
Celebration

99.04



## Monthly inflation rate in the United States

- Inflation rate reached 40 year high.

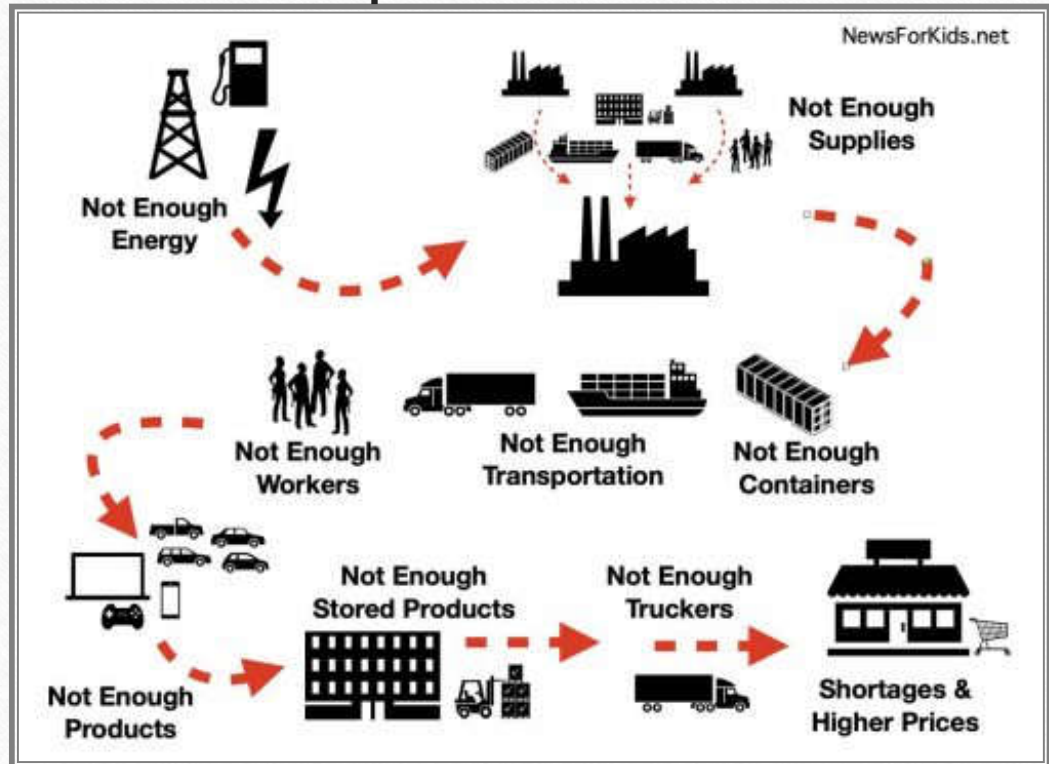


# U.S. Unemployment Rate



# Supply Chain Disruption

- Severe supply disruptions which hinders our ability to meet the consumer demand.
- **Cost-push inflation** occurs when overall prices increase due to increases in the cost of wages and raw materials. Higher costs of production can decrease the aggregate supply in the economy (stagflation).

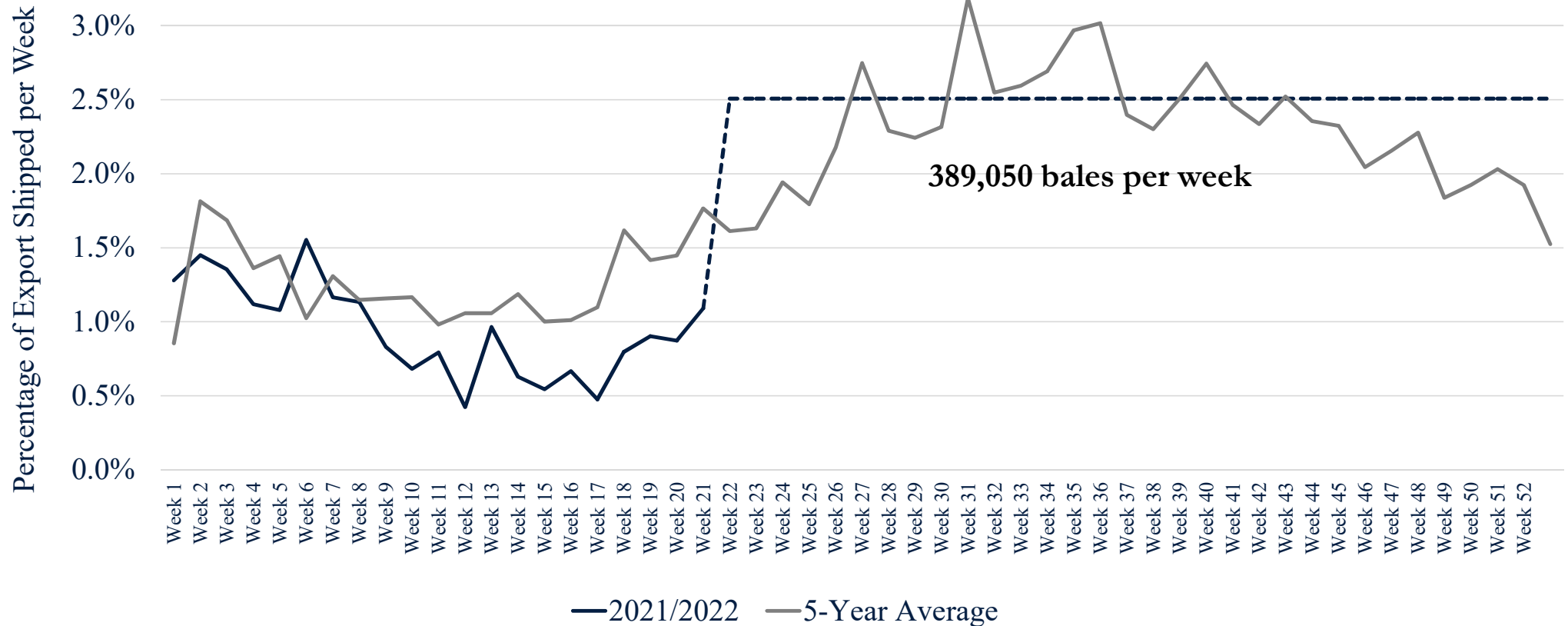


# Bales Classed through Crop Year Week 27 Versus 5-Year Average



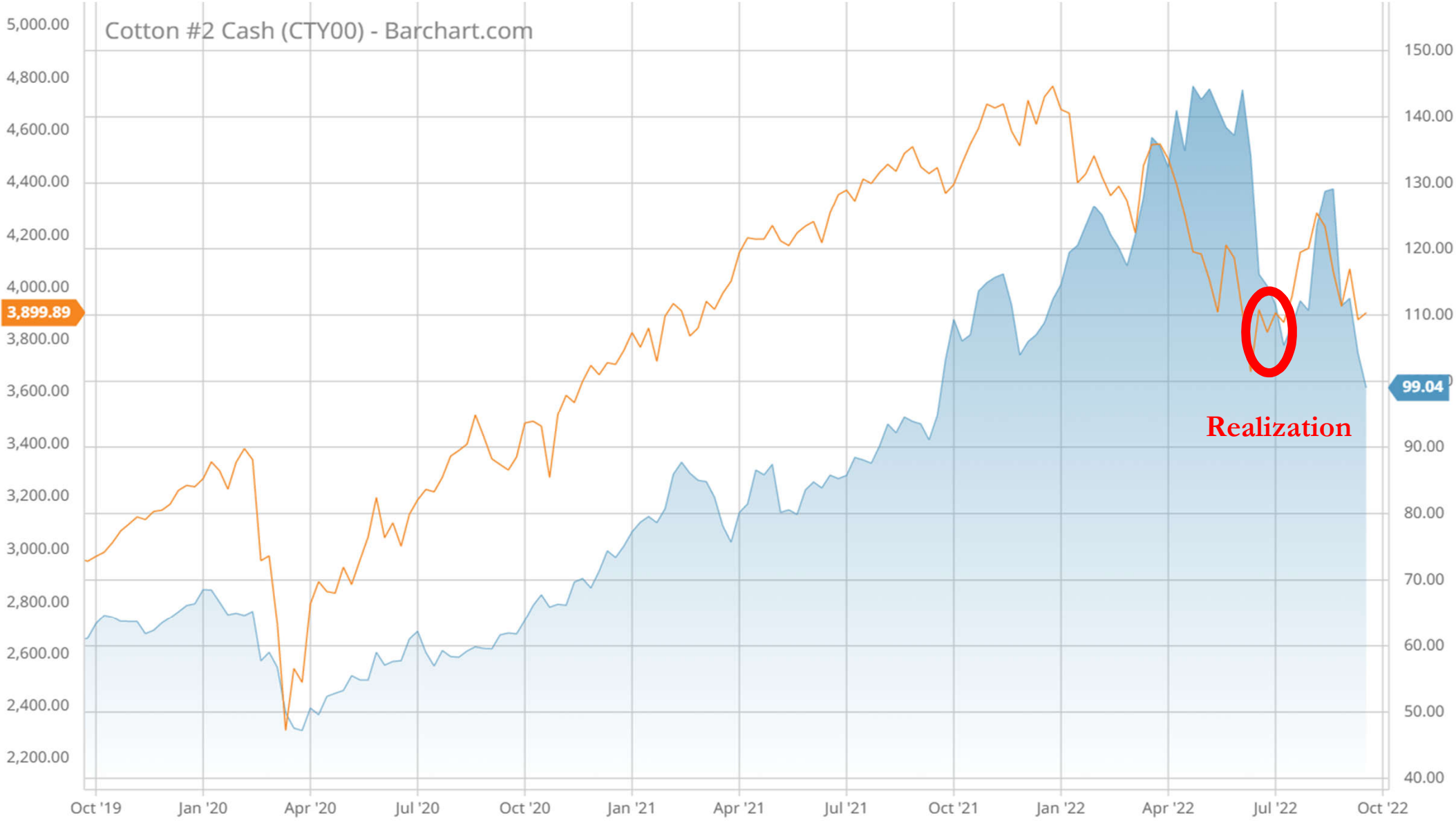
Source: Slide from American Cotton Shippers Association.  
Data Source: USDA – December 30<sup>th</sup>, 2021

# Current Shipping vs. 5-Year Average



Source: Slide from American Cotton Shippers Association.  
Data Source: USDA

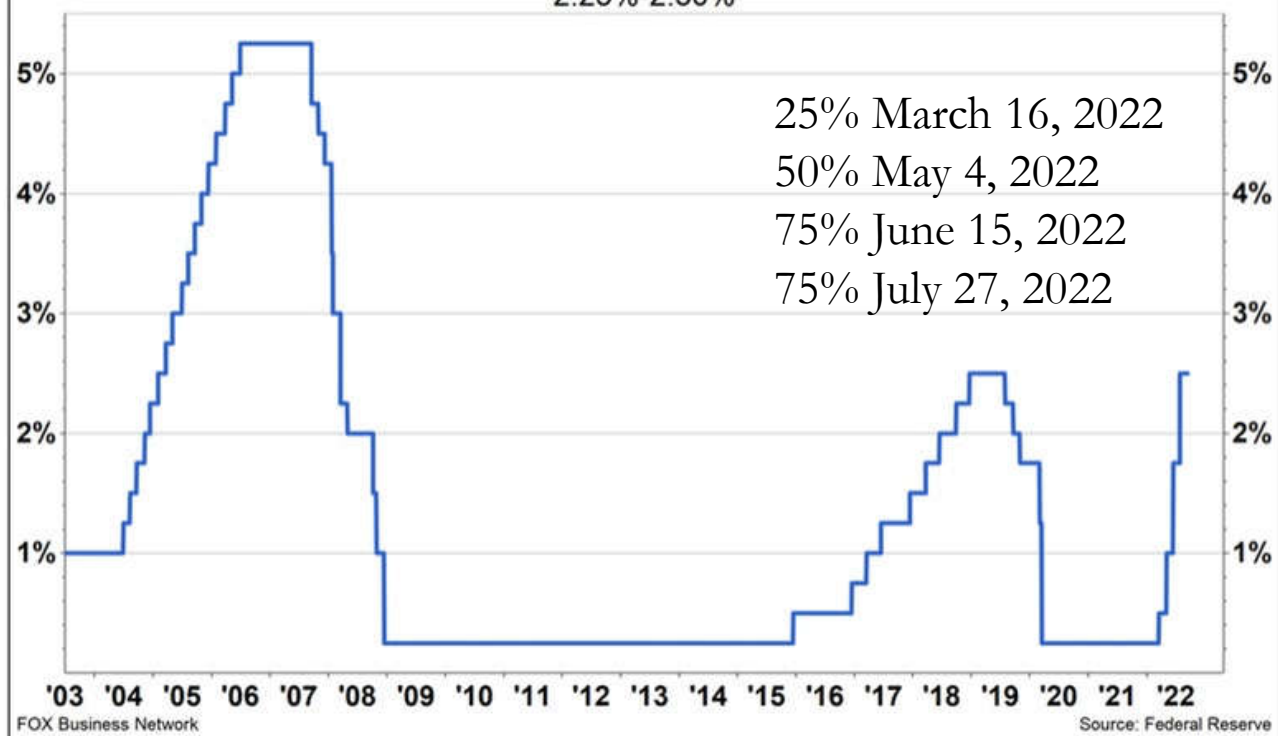
Cotton #2 Cash (CTY00) - Barchart.com



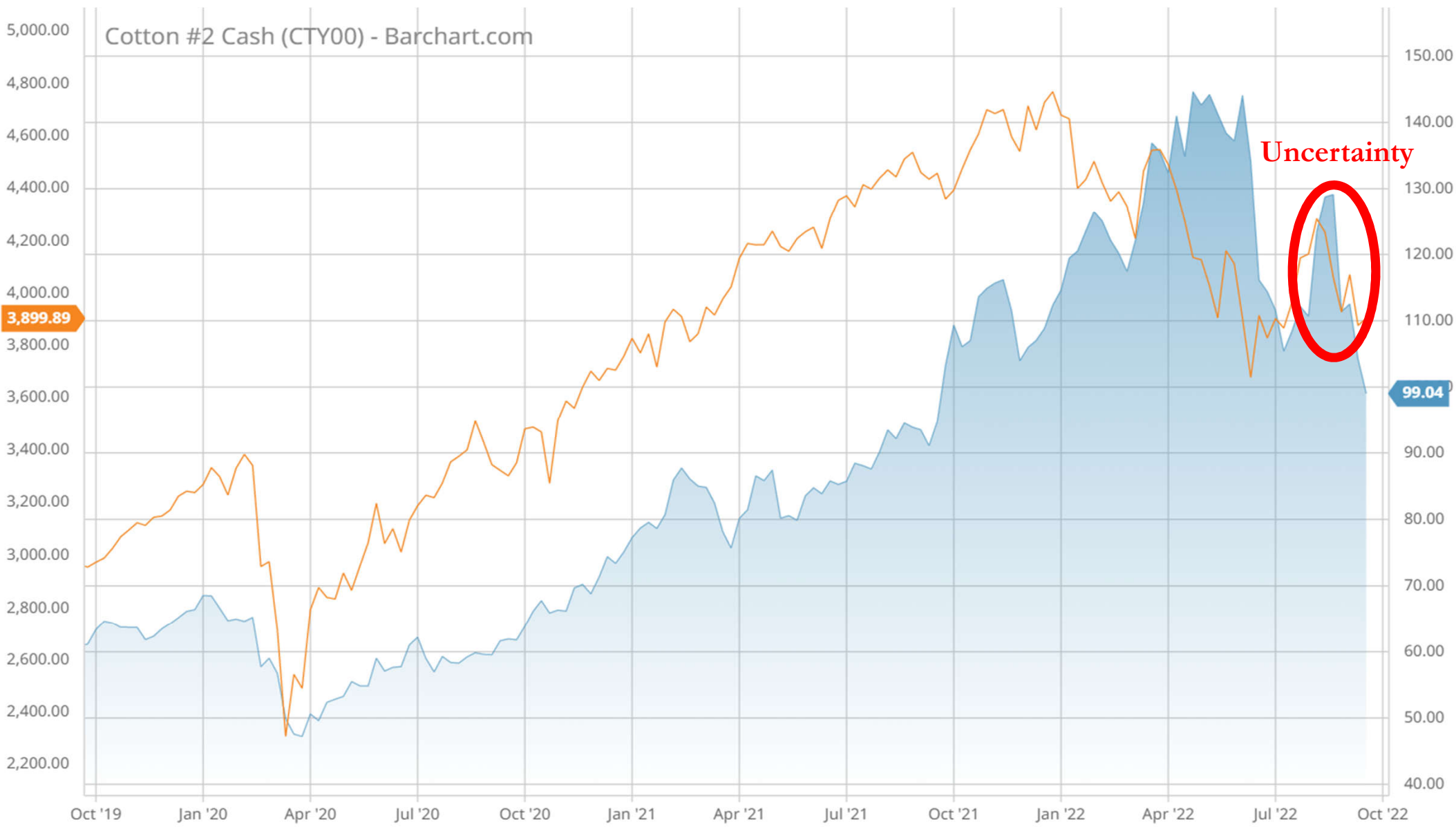


## Federal Funds Target Rate

2.25%-2.50%



Cotton #2 Cash (CTY00) - Barchart.com

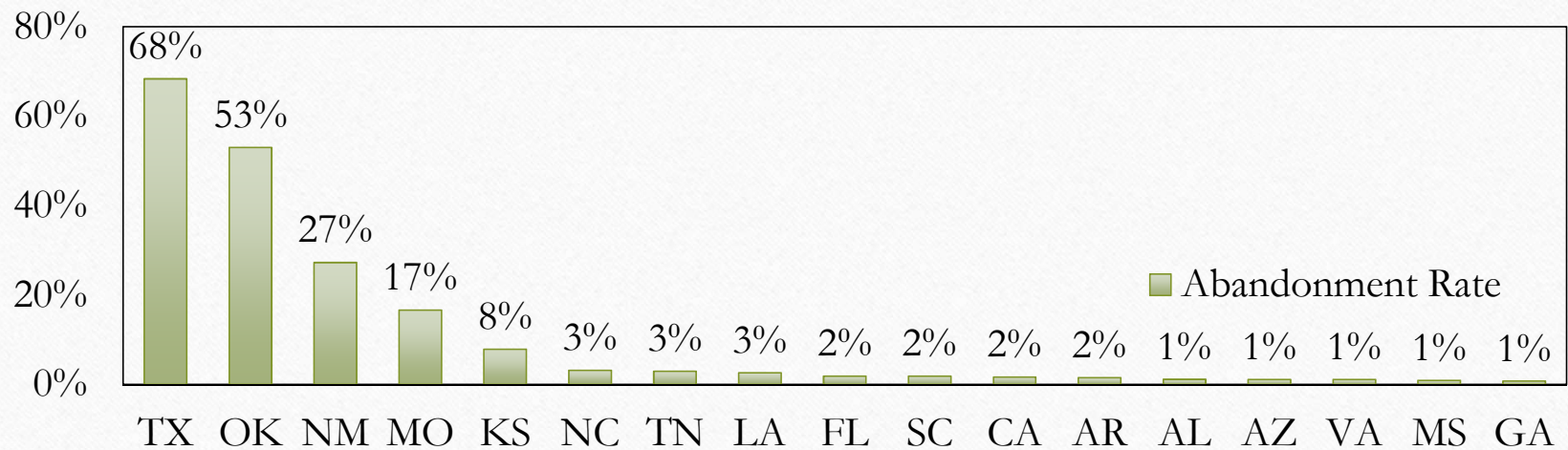


Uncertainty

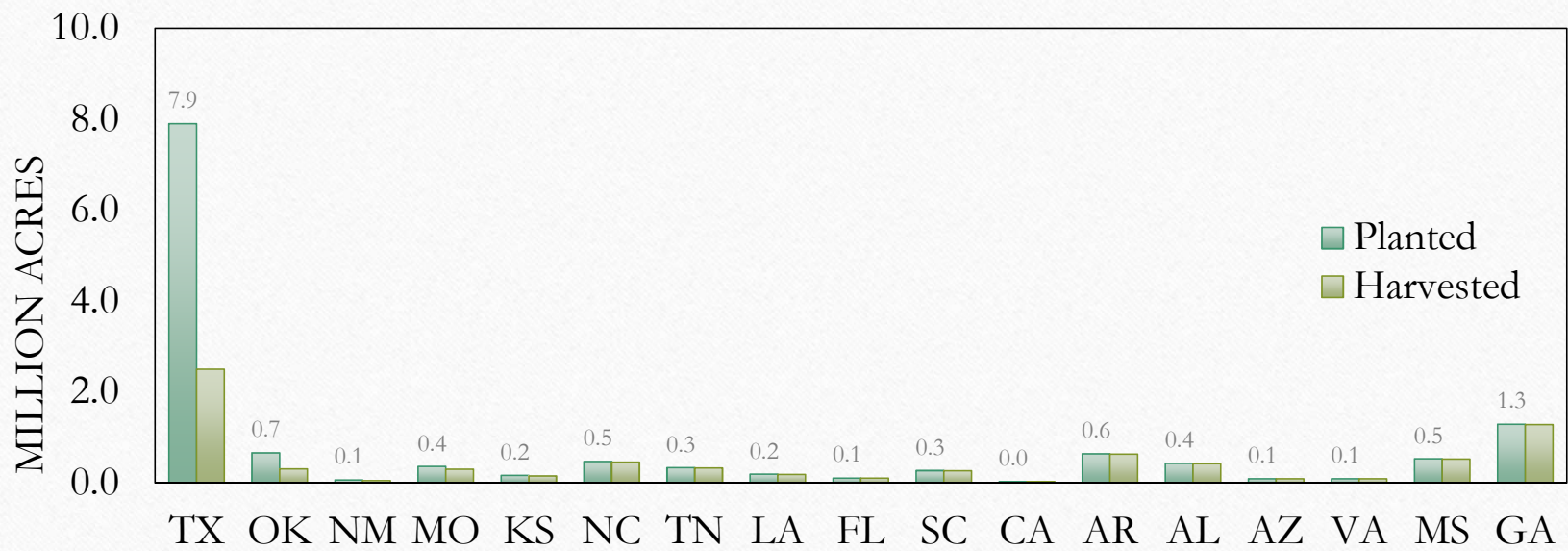
3,899.89

99.04

# Hight Abandonment Rate Expected in 2022.

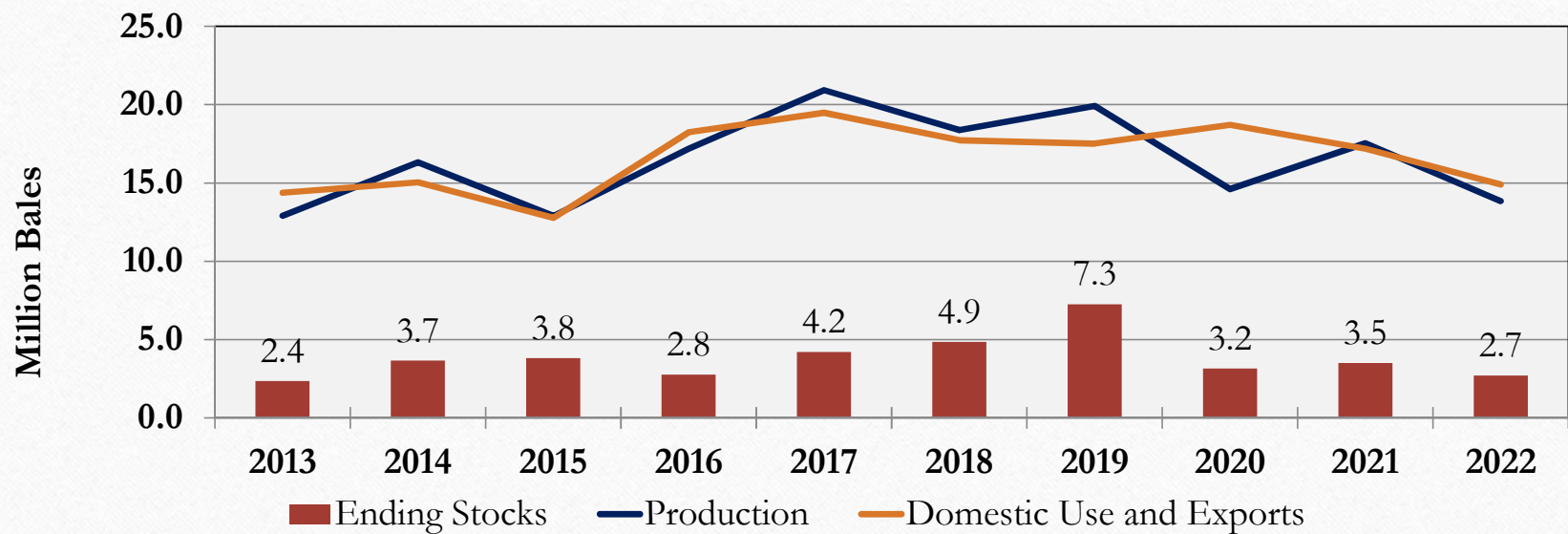


# Planted Acres and Harvested Acres





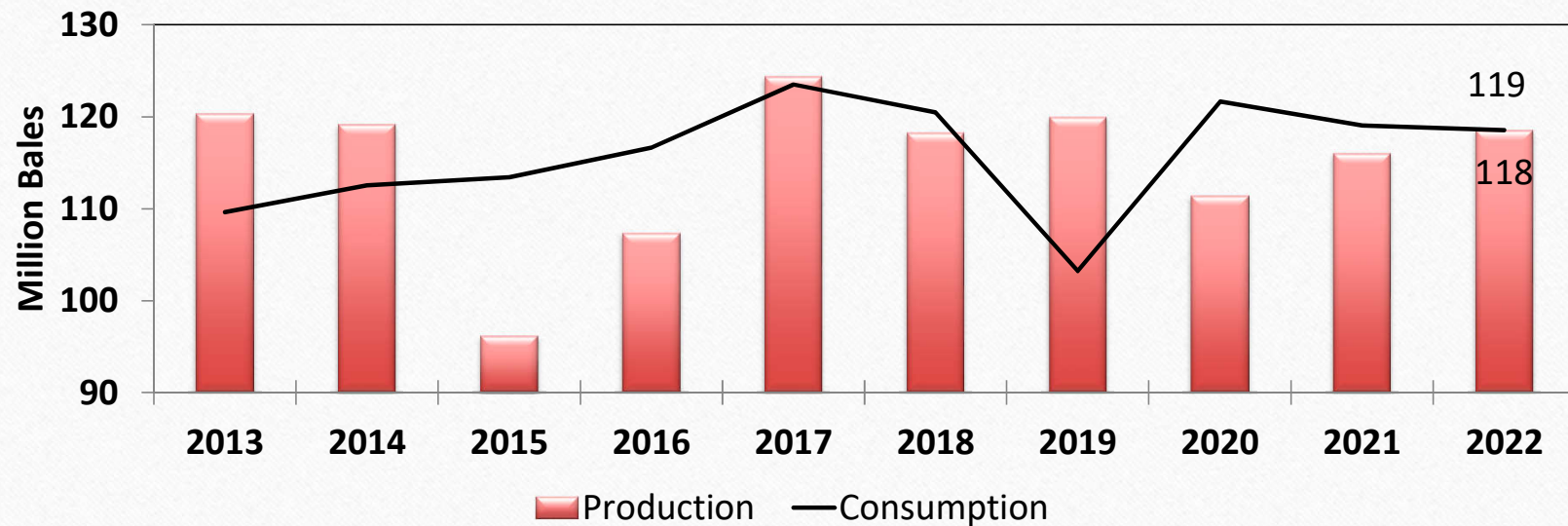
# U.S. Cotton Supply and Demand



Source: Data from USDA FAS.

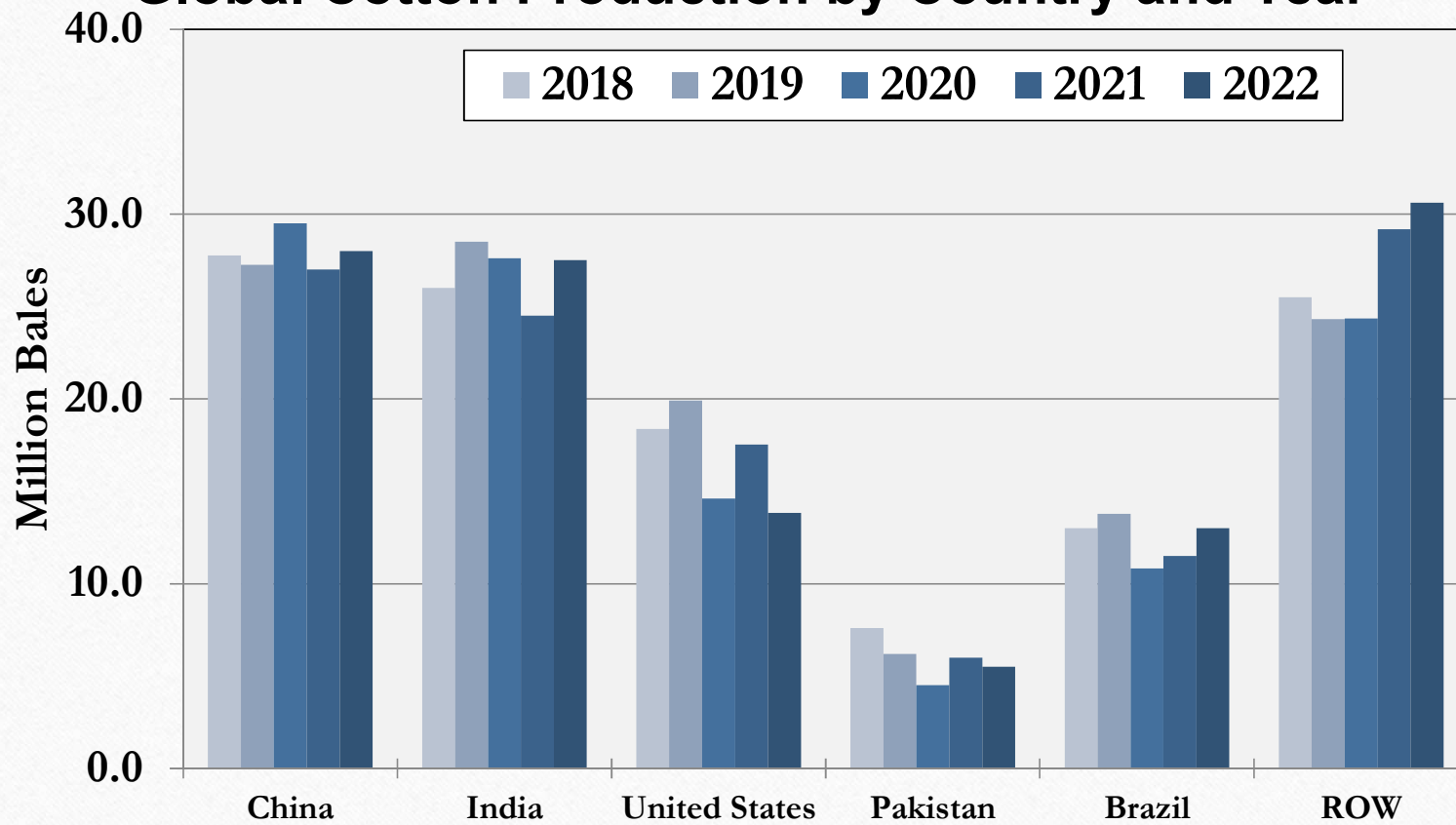


# World Cotton Supply and Demand



Source: Data from USDA FAS.

## Global Cotton Production by Country and Year



Data from USDA FAS

What  
Market  
Indicators  
to Watch  
Ahead?

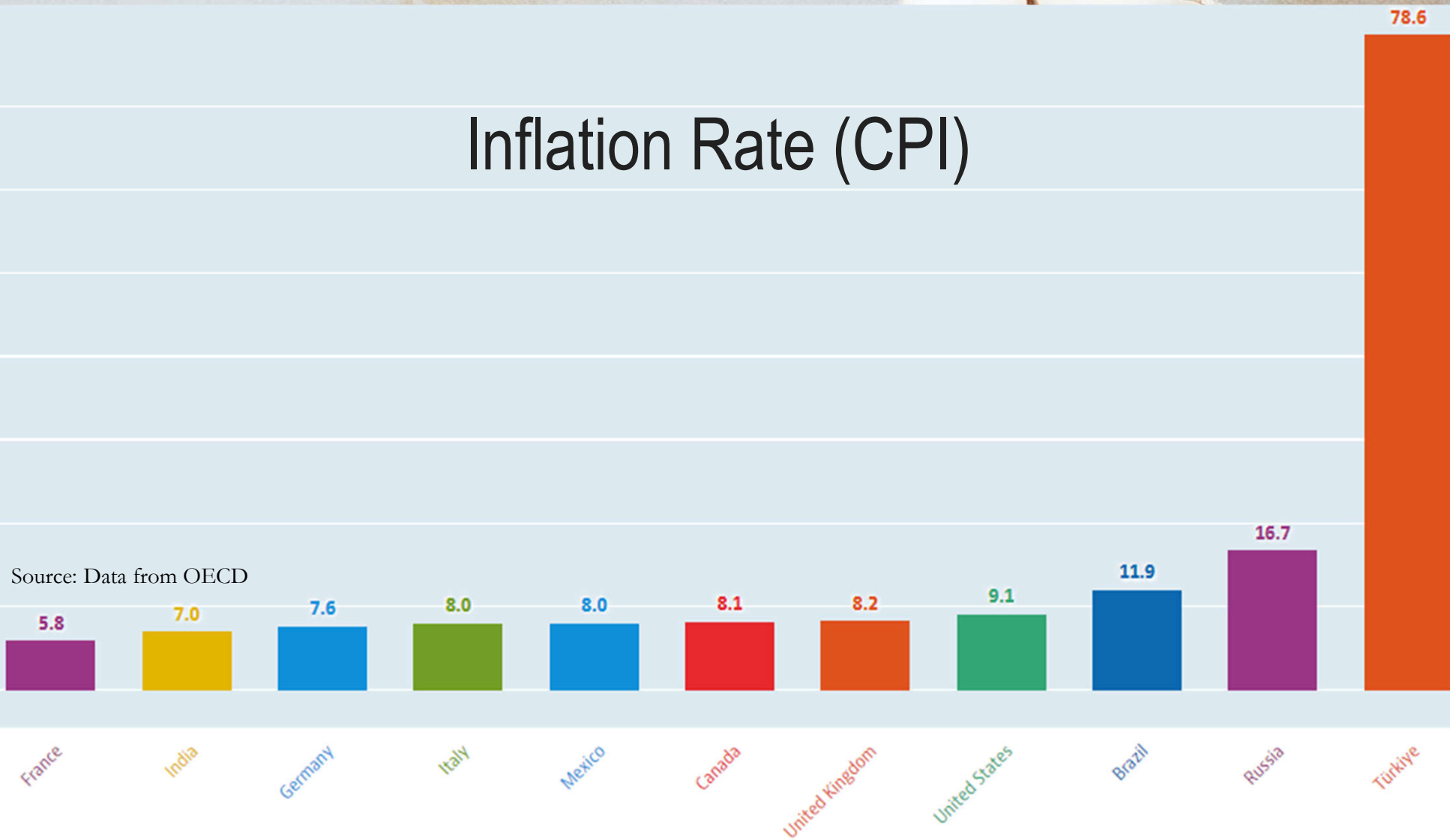
- Inflation Rate
- Interest Rate
- Exchange Rate
- GDP Growth





# Inflation Rate (CPI)

Source: Data from OECD



# U.S. Dollar Index



# Top 10 Export Markets for U.S. Cotton

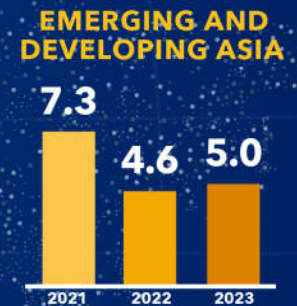
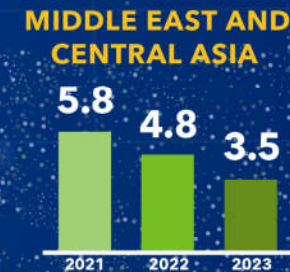
(values in million USD)

Country	2017	2018	2019	2020	2021
China	973	920	705	1,822	1,343
Vietnam	1,056	1,312	1,428	1,161	1,026
Pakistan	297	615	628	787	710
Turkey	730	682	648	574	558
Mexico	404	372	288	178	407
Bangladesh	284	387	388	329	311
Indonesia	498	600	417	257	218
India	435	333	586	147	214
South Korea	248	231	167	111	153
Peru	97	113	87	61	128
All Others	805	985	799	525	643
<b>Total Exported</b>	<b>5,827</b>	<b>6,550</b>	<b>6,140</b>	<b>5,951</b>	<b>5,711</b>

## WORLD ECONOMIC OUTLOOK UPDATE JULY 2022

# GROWTH PROJECTIONS BY REGION

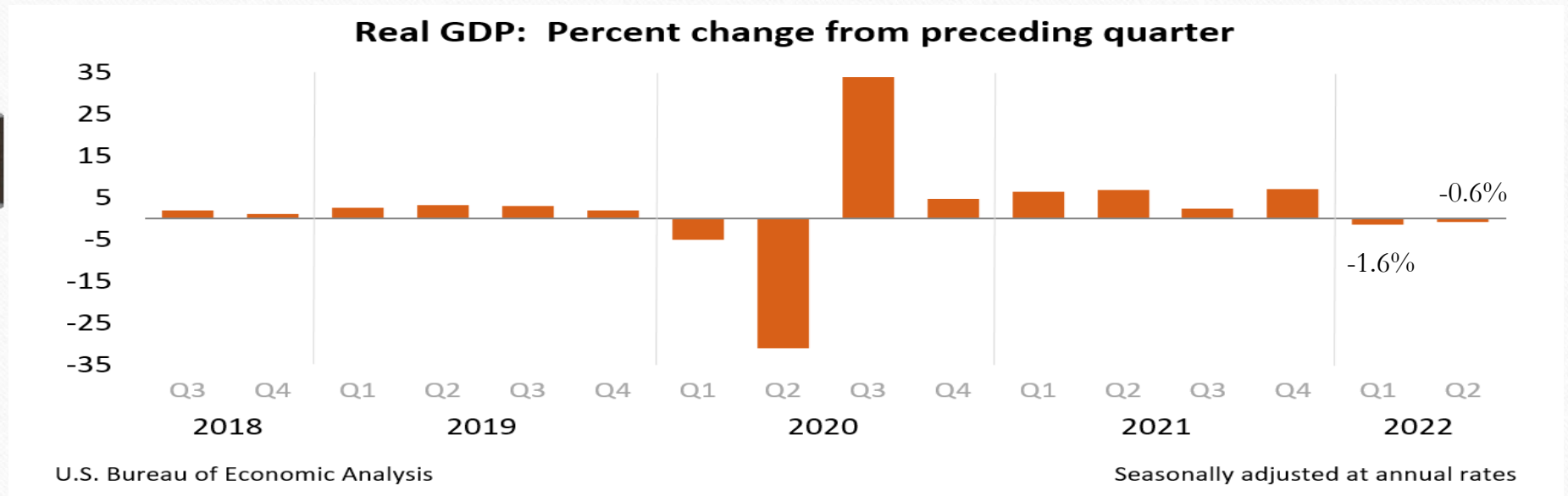
(PERCENT CHANGE)



Source: IMF, *World Economic Outlook Update*, July 2022.

Note: Order of bars for each group indicates (left to right): 2021, 2022 projections, and 2023 projections.

# Recession in the U.S.?



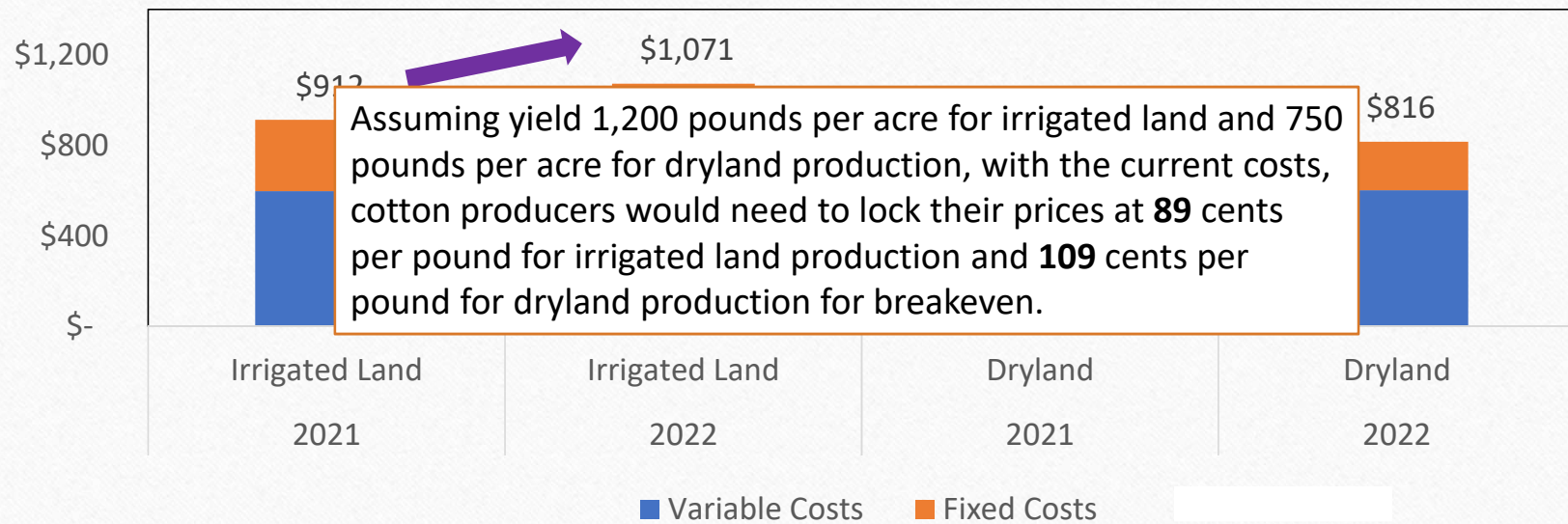
## Price Expected Lower for the Future

- Market anticipate lower economic growth globally with decline demand for cotton

+ CTY00 (Cash)	104.24
+ CTV22 (Oct '22)	97.54s
+ CTZ22 (Dec '22)	95.58
+ CTH23 (Mar '23)	92.77
+ CTK23 (May '23)	90.79
+ CTN23 (Jul '23)	87.95
+ CTV23 (Oct '23)	81.59s
+ CTZ23 (Dec '23)	79.20



# Tight Profit Margin in 2023





# Thank you!

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Questions?

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