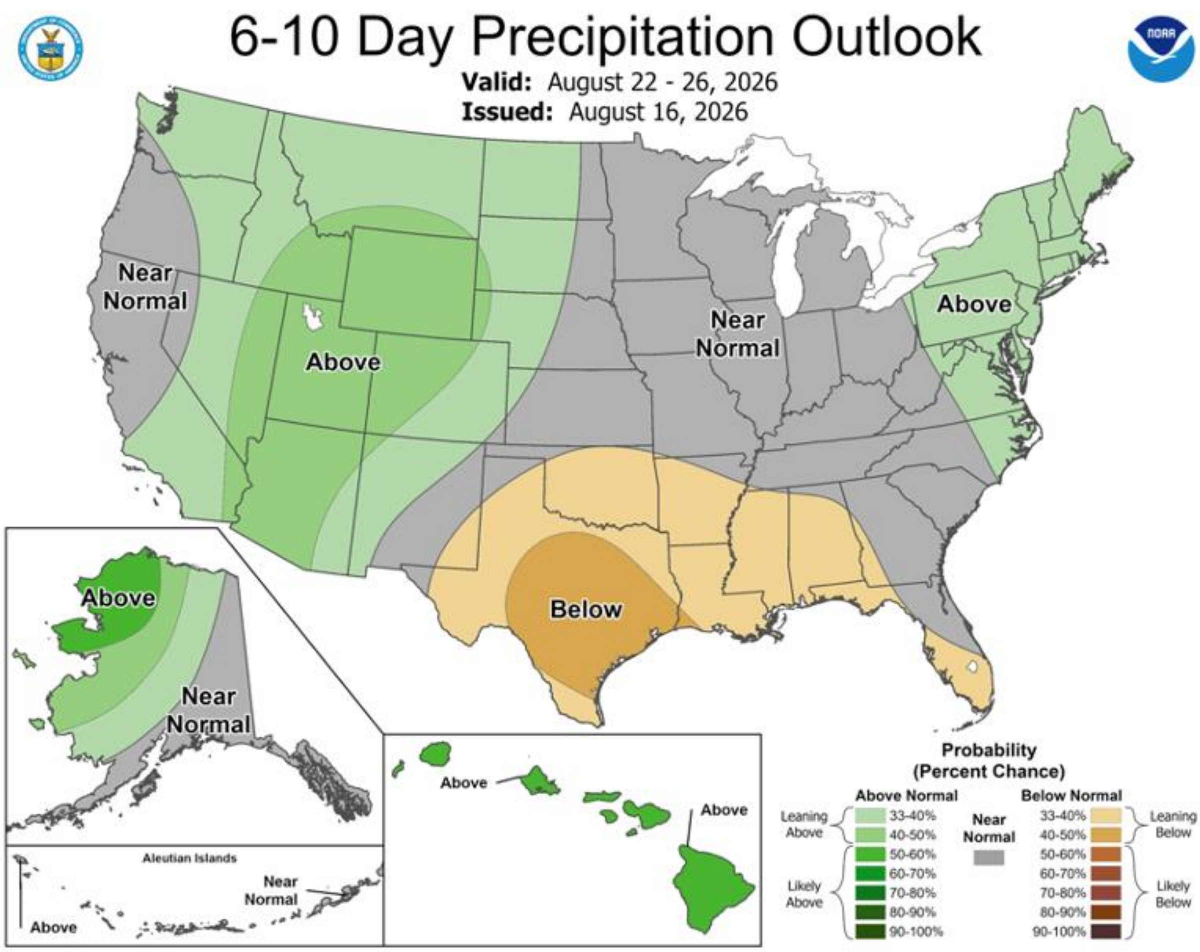
AUGUST 17, 2026

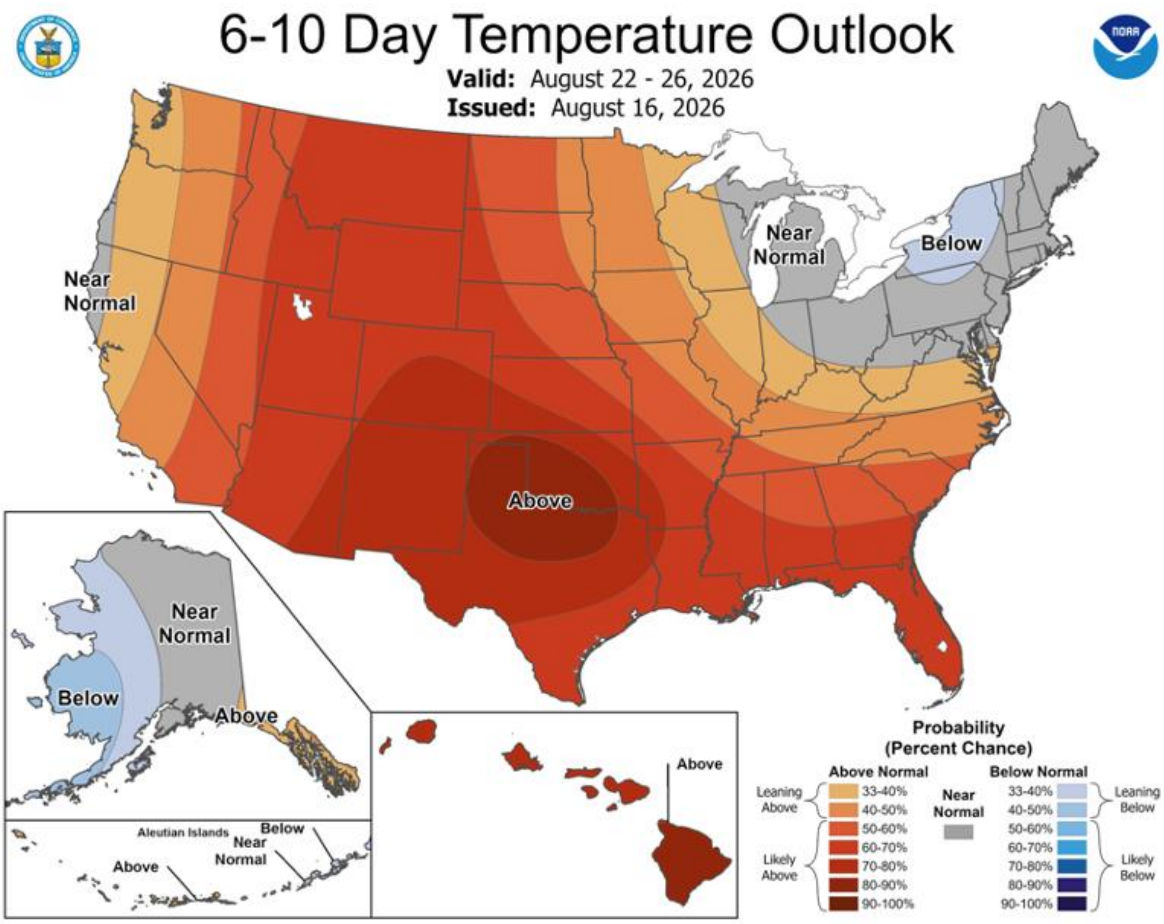
The Week Ahead

After a packed week of USDA and economic data, cotton heads into a quieter stretch with fewer major scheduled catalysts. Crop conditions and weather move back to the forefront, while fund positioning, Wednesday's Fed minutes, and a supportive outside-market backdrop could help set the tone.

- **With the August USDA report now behind us, attention shifts back to what is happening in the field. Monday's Crop Progress report will provide the next update on crop conditions, with the Southwest still the biggest area to watch.** The past few weeks of hot, dry weather have taken a toll on the crop, particularly across areas already short on moisture. With much of the crop moving through the final stretch of development, heat stress and rainfall will determine final yields.

- **Outside markets could carry a little more weight in a quieter cotton week.** Investment funds have started buying cotton again, but it's unclear how much additional interest they have. Managed money added cotton during the latest reporting period as buying picked up across parts of the agricultural complex. With fewer cotton-specific events on the calendar, broader fund activity, crude oil, and the direction of the dollar could have more influence this week.
- **The macro calendar gets a breather this week, with Wednesday's Fed minutes the main event.** Stocks have been strong, crude oil has firmed, and the U.S. dollar has weakened, creating a more supportive backdrop for commodities. The minutes could provide more insight into the Fed's inflation concerns after three officials favored a rate hike at the July meeting, although several economic reports released since then have pointed toward softer growth and inflation.

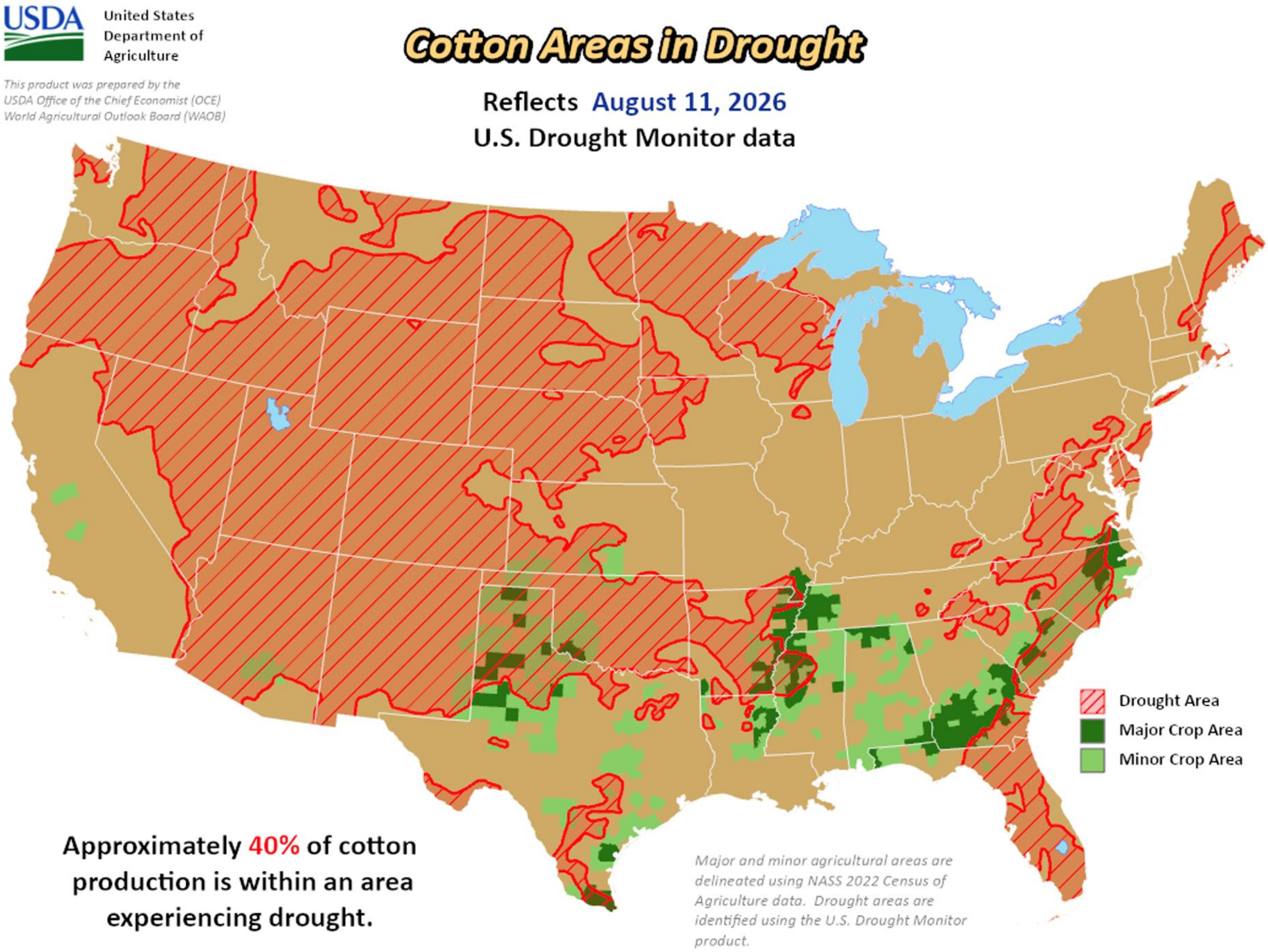




Market Recap

- **Cotton finished the week slightly higher, with December futures settling at 84.80 cents per pound, up 40 points on the week.** The market spent most of the week digesting USDA's August estimates and holding above the technical levels it had recently pushed through. Friday provided the strongest move of the week, bringing December back near the upper end of its recent trading range.
- **Wednesday's USDA report brought a few surprises, but ultimately did little to change the direction of the market.** USDA raised U.S. planted acreage substantially, with much of the increase coming from Texas, while lower yield expectations kept the production estimate close to what traders had expected. The acreage increase initially pressured cotton, but questions about abandonment and final Southwest yields remain a major part of the production outlook.

- **Weather helped keep those production concerns in focus.** Hot, dry conditions across West Texas have taken a toll on the dryland crop, and the forecast offered little relief for areas already under stress. India also turned hotter and drier, adding another production concern outside the U.S.
- **Friday's move also had some help from both cotton-specific and outside-market factors.** The latest Cotton On-Call report showed a sizable increase in sales that still need to be priced, creating potential buying ahead, while a weaker dollar, firmer crude oil, and strength across commodities provided a friendlier backdrop. Chinese reserve auctions also sold out in each session last week, reinforcing another positive demand signal.



Economic and Policy Outlook

- **Inflation came in fairly tame last week, while retail sales showed a little more weakness in the consumer.** CPI rose just 0.1% in July, with core CPI up 0.2%, while producer prices were unchanged for the month. Retail sales were the bigger surprise, falling 0.6% and posting their first monthly decline in nine months. Clothing and accessories were a bright spot, though, with sales up 1.9% for the month and 5.0% from last year.
- **Taken together with July's weaker employment report, the latest data have taken some of the urgency out of another Fed rate hike.** While inflation remains above the Fed's target and another increase later this year is possible, expectations have shifted heavily toward the Fed holding rates steady in September. That shift has helped keep pressure on the dollar and created a friendlier backdrop for cotton and other commodities. Energy prices are still a wildcard, though, as July's inflation reports captured little of the more recent increase in crude oil. If energy prices stay elevated, August's inflation data could tell a different story.

Supply and Demand Overview

- **Perhaps the biggest surprise in the August USDA report was that it wasn't all that surprising.** USDA added more than 600,000 acres to the U.S. crop, bringing planted area to 10.47 million acres, but cut yield by 74 pounds to 798 pounds per harvested acre. The two changes mostly offset each other, leaving production at 13.61 million bales, down just over 90,000 bales from July. With no changes to domestic use or exports, ending stocks fell slightly to 4.0 million bales.
- **The friendlier part of the report came from the global balance sheet, particularly on the demand side.** World production actually increased slightly to 117.6 million bales, but USDA raised consumption by nearly 1 million bales to 122.9 million. China, India, Vietnam, and Indonesia accounted for most of the increase, helping pull world ending

stocks down more than 1.5 million bales to 69.7 million. With consumption now more than 5 million bales above production, the August report helped build on the improving demand picture cotton has been showing over the past several months.

- **USDA also tightened up the 2025/26 world balance sheet.** Consumption increased by more than 900,000 bales, again led by stronger mill use in China, India, Vietnam, and Indonesia, while global trade was also revised higher. That helped cut ending stocks by more than 900,000 bales. On the U.S. side, USDA left the 2025/26 supply and demand numbers unchanged.

2026/27 (Proj.) World and U.S. Cotton Supply and Use
(Million 480-Pound Bales)

	Beginning Stocks	Production	Imports	Domestic Use	Exports	Ending Stocks	Stocks-to-Use
United States							
July Report	4.20	13.70	0.01	1.60	12.30	4.10	29.5%
August Report	4.20	13.61	0.01	1.60	12.30	4.00	28.8%
Change	0.00	-0.09	0.00	0.00	0.00	-0.10	-0.7%
World							
July Report	75.72	117.26	43.34	121.95	43.34	71.22	58.4%
August Report	74.80	117.63	43.80	122.92	43.82	69.69	56.7%
Change	-0.92	0.37	0.46	0.97	0.48	-1.53	-1.7%

Source: USDA WAOB

- **The first Export Sales Report of the 2026/27 marketing year showed Upland net sales of 905,000 bales, including 778,900 bales carried over from 2025/26 and roughly 126,000 bales in new sales. More importantly, total Upland commitments for the new marketing year are already above 4 million bales, giving 2026/27 a stronger starting point than last year.** Vietnam, Pakistan, Bangladesh, Mexico, and India currently account for a large share of that business.
- **Upland exports totaled 140,500 bales during the first six days of the new marketing year.** Meanwhile, final 2025/26 Upland shipments reached just under 11.2 million bales. Combined Upland and Pima shipments finished at roughly 11.94 million 480-pound bales, falling short of USDA's 12.2 million-bale export estimate.

- **Pima also entered 2026/27 with a solid book of business, with total commitments already approaching 160,000 bales.** The first report included 47,000 bales carried over from last year and 3,600 bales in new sales, while exports totaled just over 6,000 bales. India remains the largest market for Pima, with Colombia, Italy, Pakistan, and Vietnam also among the buyers.

The Seam®

As of Friday afternoon, grower offers totaled 4,306 bales. The past week, 74 bales traded on the G2B platform received an average price of 71.00 cents per pound. The average loan redemption rate (LRR) was 47.17, bringing the average premium over the LRR to 23.83 cents per pound.

Note: *The Loan Redemption Rate (LRR) is the loan rate minus the current Loan Deficiency Payment (LDP).*

ICE Futures Ending 8/14/2026

	Settlement	Daily Change	Weekly Change
December '26	84.80	+1.30	+0.40
March '27	86.68	+1.26	+0.50
May '27	87.84	+1.20	+0.53
July '27	87.35	+1.16	+0.44

Adjusted World Price (AWP)

	Current Value	Weekly Change
Adjusted World Price	68.19	+1.90
Loan Deficiency Payment	0.00	0.00
Fine Count Adjustment 2025	0.00	0.00
Coarse Count Adjustment	0.00	0.00

Official 8/14/26 - 8/20/26