PCCA PLAINS COTTON COOPERATIVE ASSOCIATION

JULY 20, 2026

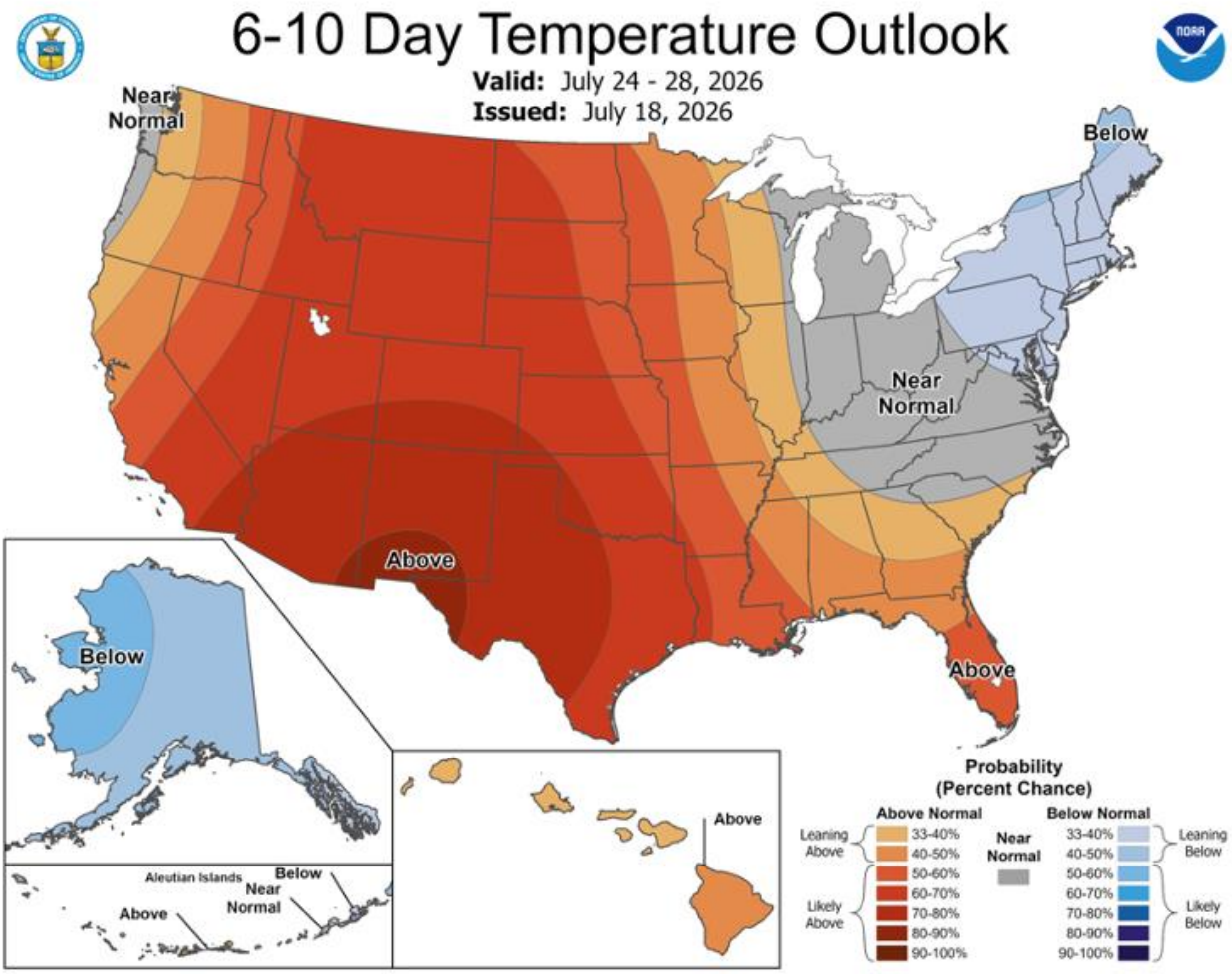
The Week Ahead

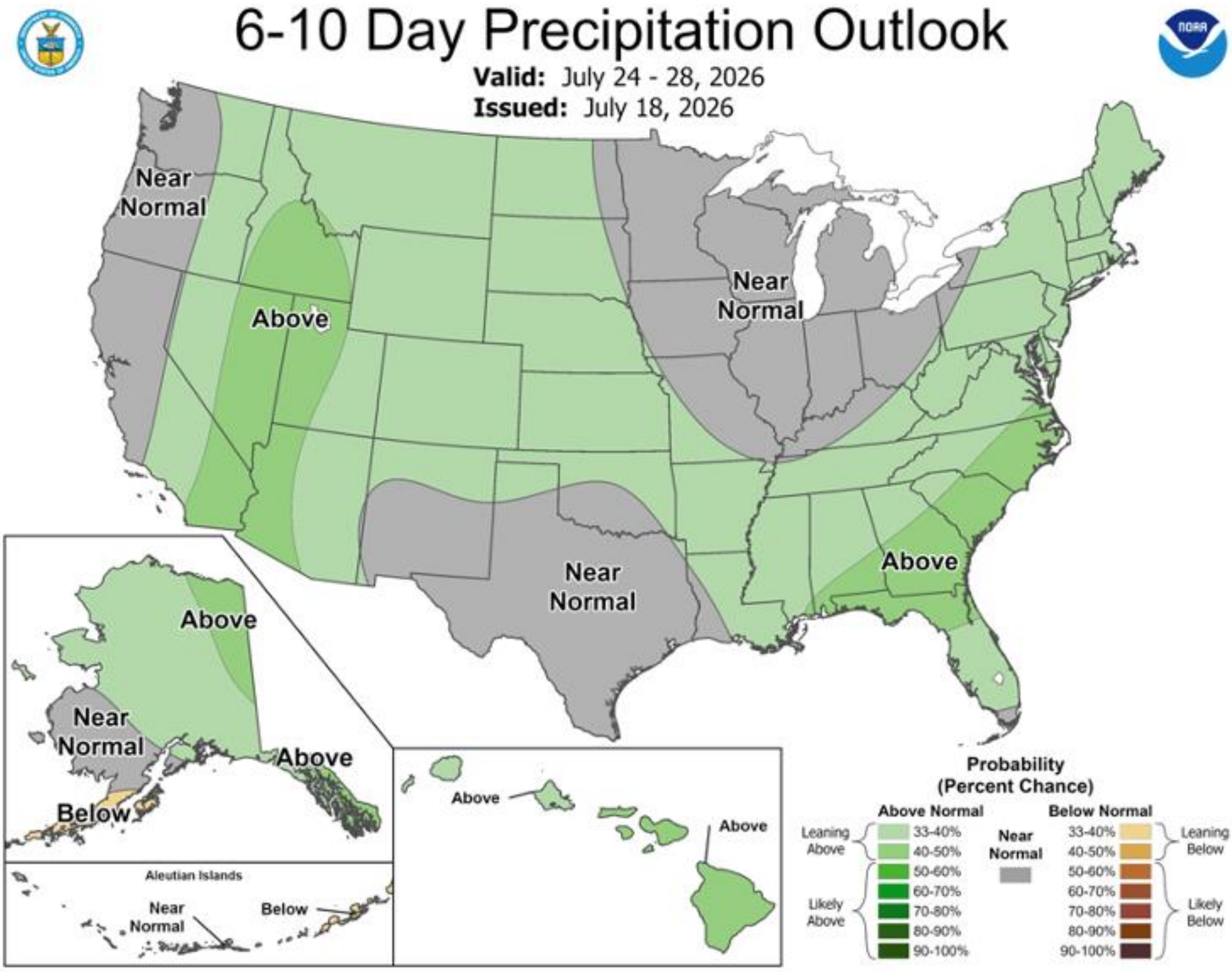
Cotton enters the week with a relatively quiet economic calendar, leaving traders focused on geopolitical developments, weather, export demand, and speculative positioning ahead of next week's Federal Reserve policy decision.

- **Geopolitical tensions moved back to the forefront after the conflict between the U.S. and Iran escalated over the weekend.** If crude oil extends its recent rally, higher energy prices could strengthen the U.S. dollar and influence broader commodity markets, including cotton.
- **China officially began selling cotton from its state reserves following last week's announcement, with the first auction selling out completely.** Additional reserve

sales are scheduled, which should provide more supply to the domestic market.

- **Weather and speculative positioning are expected to remain key market drivers this week.** While rainfall improved conditions across parts of the Cotton Belt last week, the forecast has turned hot and dry with little to no precipitation expected, particularly across West Texas. As the crop enters a critical stage of development, traders will closely watch for signs of weather-related stress.
- **Thursday's Export Sales Report will provide another update on demand, while Friday's CFTC Commitments of Traders report will offer a fresh look at speculative positioning after last week's sharp sell-off, which likely included at least some profit-taking.**



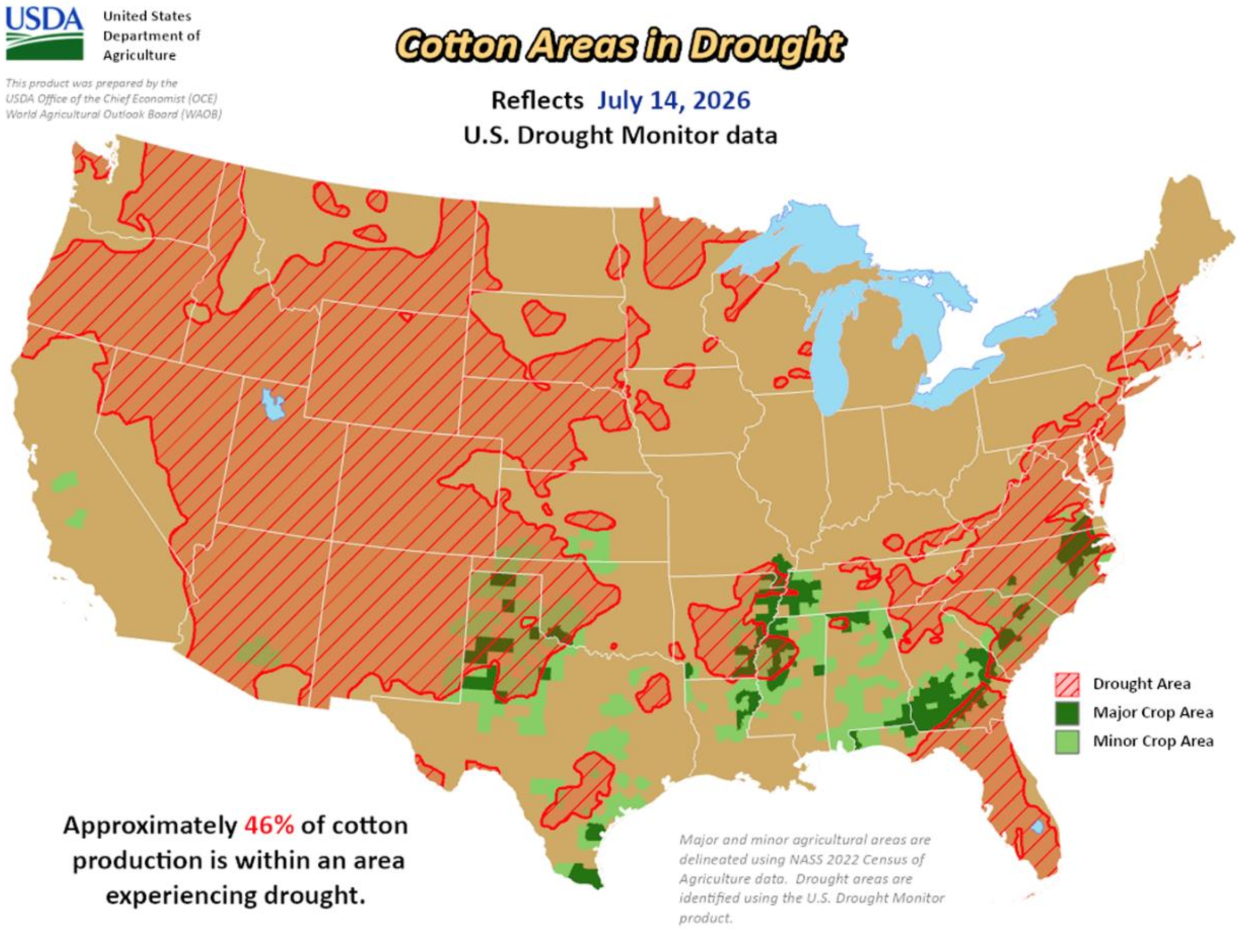


Market Recap

- **Cotton futures gave back much of the previous week's gains as traders shifted their attention back to demand while weighing several outside market developments.** December futures settled at 78.63 cents per pound, down 291 points on the week. Higher crude oil prices provided support at times, but buyers were unable to build on the previous week's rally.
- **Early last week, cotton traded on both sides of unchanged as traders sorted through several competing headlines.** China's decision to resume selling cotton from its state reserves was a key focus, though those stocks will eventually need to be replenished, which could support import demand down the road. Weaker-than-expected export sales, Brazil tariff headlines, a weaker Brazilian real, and profit-taking across the softs complex following two weeks of strong index buying also weighed on the market.

As prices broke through several key technical support levels, additional selling was triggered, adding to the market's decline.

- **Scattered rainfall across West Texas eased concerns about the crop after the previous week's hot and dry forecasts, removing some of the weather premium that had recently been built into the market.** The portion of the Cotton Belt experiencing drought also declined from 55% to 46%. Even so, crop conditions slipped this past week, highlighting the uneven nature of this year's Southwest crop. While some areas have benefited from timely rainfall, others continue to struggle, making crop development a key factor to watch in the weeks ahead.
- **The latest Commitments of Traders report showed managed money continued to add to its net long position during the reporting week, suggesting funds were still willing buyers through Tuesday.** However, with most of the week's selling occurring after the reporting period ended, next week's report could show a very different speculative picture.



Economic and Policy Outlook

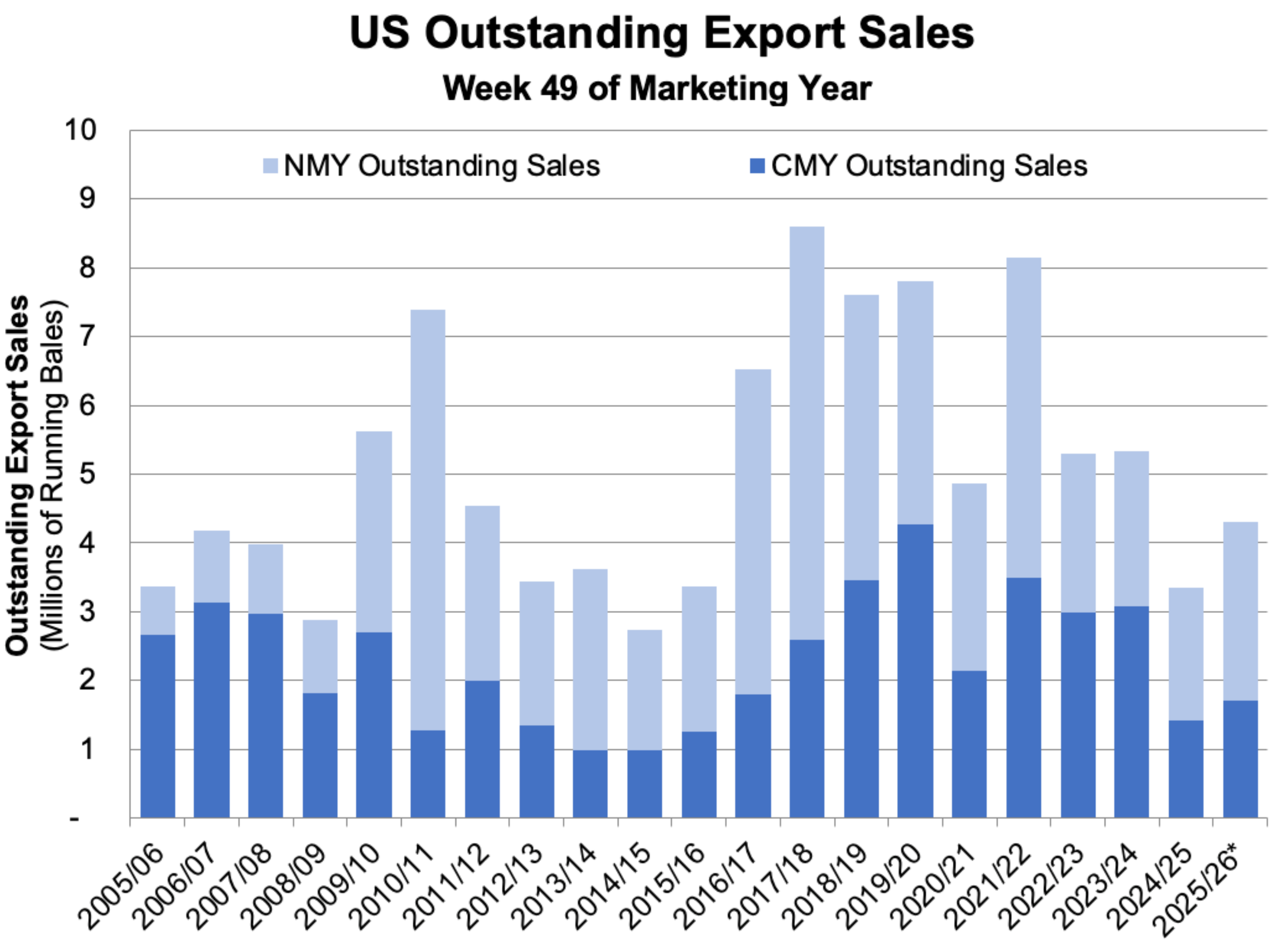
- **Inflation data came in softer than expected last week, with consumer prices falling in June, core CPI unchanged from the prior month, and producer prices also easing.** The reports gave the Federal Reserve additional room to leave interest rates unchanged at its upcoming meeting. Retail sales rose modestly, though the headline increase was held back by lower gasoline prices, while spending outside of gas stations pointed to continued consumer resilience. Clothing and clothing accessory sales also remained above year-ago levels, providing another encouraging sign for apparel demand.
- **That positive inflation backdrop was overshadowed later in the week as the ceasefire between the U.S. and Iran broke down after Iran attacked commercial shipping in the Strait of Hormuz, prompting another round of U.S. airstrikes.** The conflict escalated throughout last week, raising concerns that disruptions could spread beyond the Strait of Hormuz to other key shipping routes. The renewed tensions sent crude oil sharply higher, potentially improving cotton's price competitiveness with polyester. However, the market's bigger concern is that higher energy prices could add to inflation pressures, strengthen the U.S. dollar, and weigh on overall demand.
- **Policy developments also drew attention last week.** Congress moved a step closer to advancing a budget reconciliation package that could include $12 billion in agricultural producer assistance, though details have yet to be released. Meanwhile, the Trump administration announced a 25% tariff on certain Brazilian imports, but major agricultural exports were excluded, limiting any immediate impact on cotton.

Supply and Demand Overview

- **The latest Export Sales Report was disappointing, with Upland sales falling to a marketing-year low of just**

34,400 bales. Bangladesh led buying activity, followed by Vietnam, Pakistan, Peru, and Thailand. New crop sales were also light at just 4,100 bales, with Pakistan accounting for the largest share.

- **Upland exports totaled 214,900 bales, with Vietnam once again leading shipments, followed by Turkey, Pakistan, India, and Mexico.**
- **With only a few weeks remaining in the marketing year, shipments will need to accelerate to reach USDA's current export forecast of 12.2 million bales, though that target appears increasingly unlikely.**
- **Pima sales improved to 3,600 bales, while exports totaled 7,800 bales, led by India and Vietnam.**



*Source: USDA, *Current Year Production*

The Seam®

- **As of Thursday afternoon, grower offers totaled 1,063 bales.** The past week, 291 bales traded on the G2B platform received an average price of 74.10 cents per pound. The average loan redemption rate (LRR) was 54.03, bringing the average premium over the LRR to 20.07 cents per pound.
- ***Note:*** *The Loan Redemption Rate (LRR) is the loan rate minus the current Loan Deficiency Payment (LDP).*

ICE Futures Ending 7/17/2026

	Settlement	Daily Change	Weekly Change
December '26	78.63	-0.67	-2.91
March '26	80.01	-0.69	-2.90
May '27	80.89	-0.68	-2.75
July '27	80.61	-0.63	-2.51

Adjusted World Price (AWP)

	Current Value	Weekly Change
Adjusted World Price	65.37	+2.51
Loan Deficiency Payment	0.00	0.00
Fine Count Adjustment 2025	0.00	0.00
Coarse Count Adjustment	0.00	0.00

Official 7/17/26 - 7/23/26