PCCA PLAINS COTTON COOPERATIVE ASSOCIATION

FEBRUARY 7, 2025

Tariffs caused volatility in the markets this week. As the market responds to these uncertainties and looks toward next week's updated supply and demand report, can cotton prices see some stabilization? Get QuickTake's read on the week's events in five minutes.

March futures dropped to a new contract low during the week, experiencing moderate volatility as they reacted to the news from outside markets.

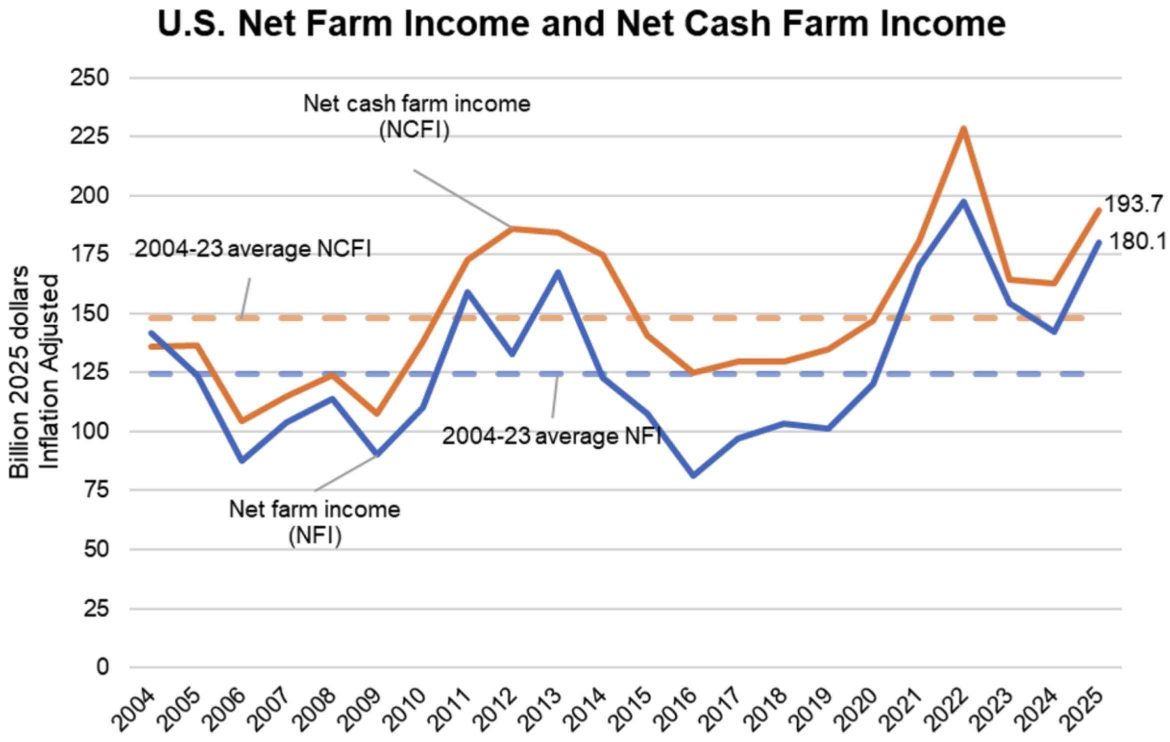
- March futures closed at 66.27 cents per pound, down 24 points for the week.
- With First Notice Day for the March contract rapidly approaching, attention will shift to the May contract. May futures closed at 67.22 cents per pound, down 32 points for the week.

- The March contract found support near the 65-cent level but came under pressure as growers began fixing cotton, and many traders started liquidating or rolling their positions forward. Volatile news regarding the potential implications of U.S. tariffs and possible retaliation kept the cotton market on edge. Although options expiry has passed, which provided some support to prices, speculators continue to hold their record short positions.
- The Cotton On-Call report continues to show a significant imbalance in the March contract, with on-call purchases outweighing sales. Given this week's activity and the approaching First Notice Day, that imbalance should decrease for March but could potentially show up in May or July in next week's report.
- Daily volume traded was high, and open interest increased by 7,609 contracts, bringing total open interest to 287,973. Certificated stocks were unchanged at 218 bales.

Stock markets experienced volatility this week, shifting directions quickly amid constantly changing news and turmoil surrounding tariffs.

- Tariffs were the hot topic this week. President Trump announced that tariffs on Canada, Mexico, and China would go into effect on February 1. As promised, the tariffs were implemented, but negotiations delayed the 25% tariffs on Canada and Mexico for 30 days. The 10% tariff on China remains in place, and China retaliated by imposing tariffs on U.S. goods. The sentiment and news surrounding tariffs shifted rapidly throughout the week, contributing to wide trading ranges and heightened volatility in the equity markets.
- The Bank of England cut interest rates by 25 basis points this week, citing concerns about rising inflation and the potential impact of new tariffs on the economy. The British pound weakened following the cut, which helped bolster the U.S. dollar after it had experienced a three-day decline.

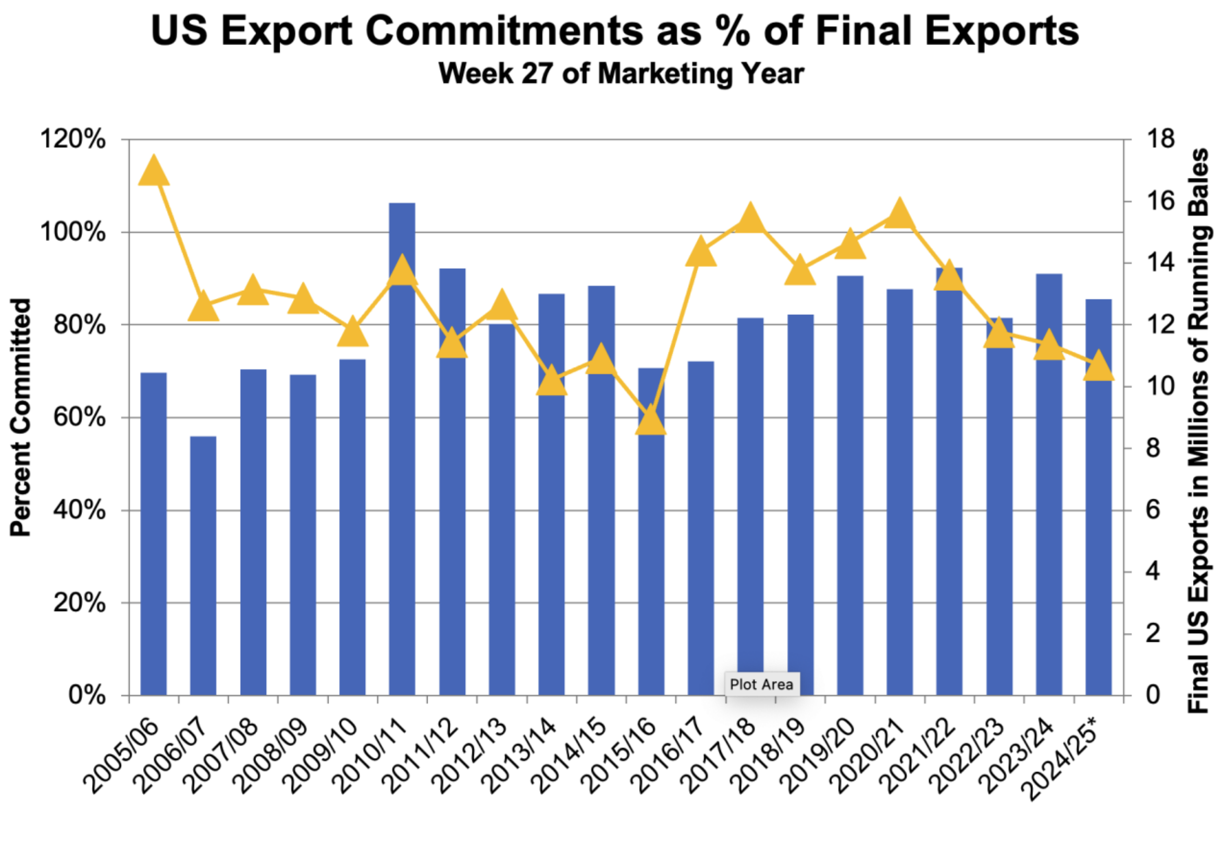
- Part of China's retaliatory tariffs included U.S. crude oil, natural gas, and coal, which put pressure on energy prices. With the combined threat of tariffs, market uncertainties, and discussions of increased drilling in the U.S., crude oil prices have remained under pressure since the new administration took office.
- The U.S. Postal Service temporarily suspended inbound mail and packages from China and Hong Kong to establish an effective system for collecting the 10% tariff on imports from China. This move was partly due to President Trump's closure of the $800 de minimis rule, which had allowed low-value imported goods to enter the U.S. without being subject to tariffs or inspection, thus speeding up processing times.
- Net farm income is forecast to increase in 2025 after declining in 2023 and 2024. When adjusted for inflation, net farm income is forecast to increase by $37.7 billion from 2024 to 2025, reaching $180.1 billion, while net cash farm income is forecast to increase by $30.6 billion to $193.7 billion. The primary driver of this increase is government payments from the American Relief Act of 2025.



Source: USDA ERS, Farm Income and Wealth Statistics

The U.S. Export Sales Report was solid but did not generate much excitement in the market.

- For the 2024/25 marketing year, U.S. merchants sold 188,900 Upland bales and shipped 221,100 bales. Shipments have been steady in recent months, and sales have been higher than needed to reach USDA's current export estimate of 11 million bales. There is potential for an increase in exports on next week's WASDE report.
- Pima sales and shipments were solid for the week. Merchandisers sold 5,900 bales and exported a marketing year high of 15,500 bales.



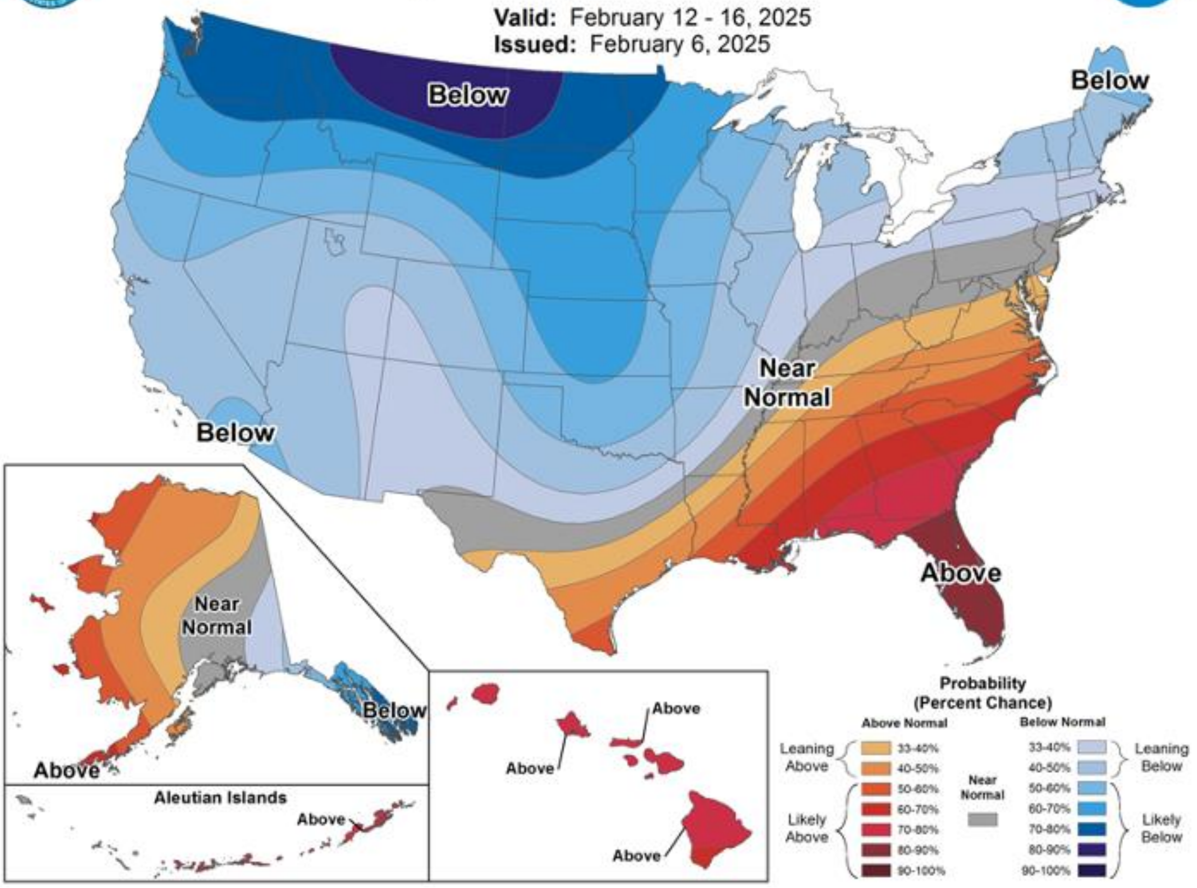
Source: USDA FAS, *relative to WASDE

The Week Ahead

- Next week is significant for commodities, as the USDA's supply and demand estimates will be released at 11 a.m. on Tuesday, February 11. New data on the Consumer Price Index (CPI), Producer Price Index (PPI), and retail sales will be released on Tuesday, Wednesday, and Friday.

6-10 Day Temperature Outlook

Valid: February 12 - 16, 2025
Issued: February 6, 2025



6-10 Day Precipitation Outlook

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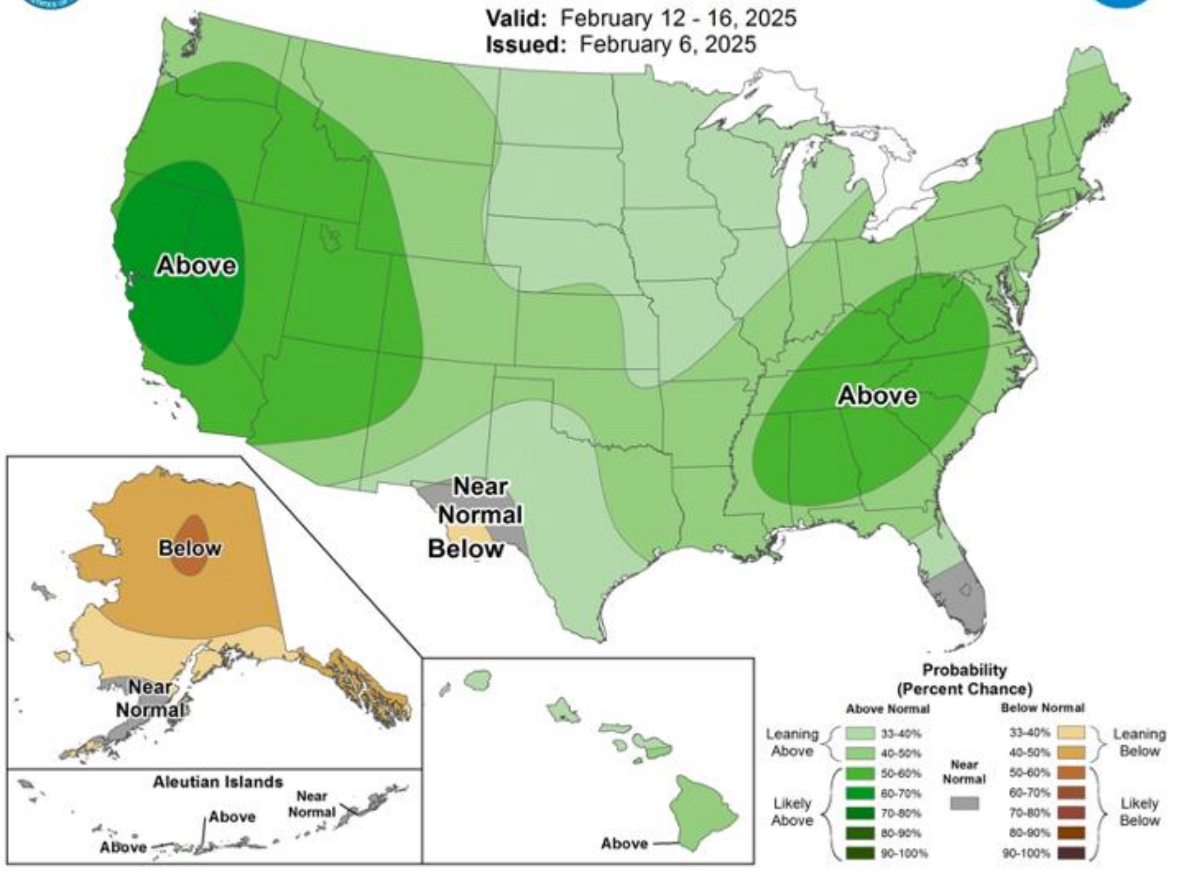

Announcements

Enrollment for the U.S. Cotton Trust Protocol will be open January 6th- April 30th, 2025. Growers who are currently enrolled will need to renew their membership to continue their involvement in the program.

New Grower Enrollment for Better Cotton will be open March 3rd-May 30th.

For assistance or questions about enrolling in these programs, contact PCCA at 806-763-8011.

The Seam

As of Thursday afternoon, grower offers totaled 232,151 bales. There were 21,880 bales that traded on G2B platform with an average price of 58.45 cents per lb. The average loan was 48.54, which resulted in a premium of 9.91 cents per lb. over the loan.

ICE Futures Ending 2/6/2025

	Settlement	Daily Change	Weekly Change
Mar. '25	66.03	-0.01	-0.24
May '25	67.22	+0.02	-0.32
July '25	68.37	+0.03	-0.37
Dec. '25	68.89	+0.17	+0.01

Adjusted World Price (AWP)

Official 2/7/25 thru 2/13/25

AWP	53.18
LDP/MLG	0.00
2024 FCA	0.00
Coarse Count	0.00