

A photograph of a cotton field with green plants and a dirt path. The text 'Cotton Market Weekly' is overlaid in white, serif font.

Cotton Market Weekly

JANUARY 31, 2025

Disappointing news pressured the cotton market to new lows this week, while a steady flow of economic data produced volatility in financial markets. Is there relief in sight for cotton prices? Get QuickTake's read on the week's events in five minutes.

The March contract finished lower for four consecutive days, settling at a life-of-contract low.

- March futures closed at 66.27 cents per pound, down 120 points for the week.
- All current crop cotton futures contracts reached new lows amid this week's sell-off. Cotton prices initially followed weakness in outside markets, then faced additional pressure as investors began rolling March positions forward. A disappointing Export Sales Report further impacted prices, and speculators maintained a record net short position, which continues to apply pressure in the short term.

- The Cotton On-Call report indicated significant activity in the March contract, highlighting a notable decline in on-call purchases. However, a massive imbalance remains in the March contract when comparing on-call sales versus on-call purchases, which means more selling is expected before March First Notice Day on February 24.
- Open interest increased by 8,733 contracts, bringing total open interest to 280,364, the highest level since April 2024. Certificated stocks were unchanged at 218 bales.

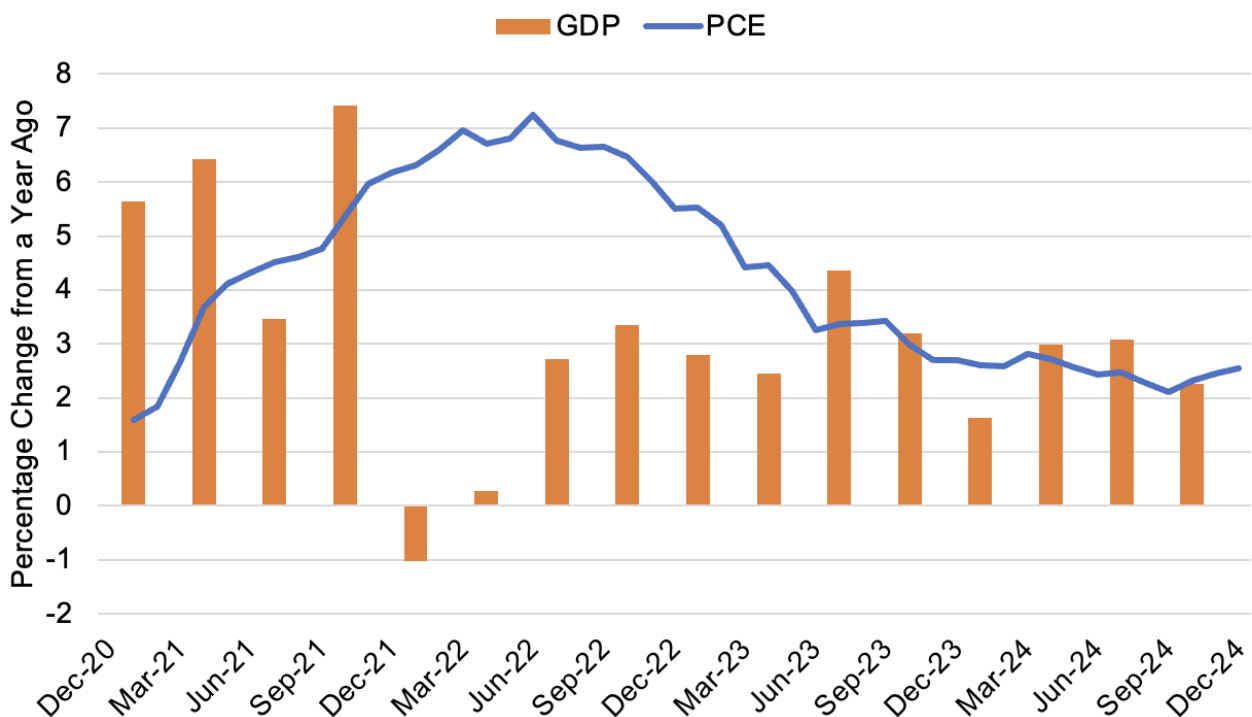
Tech-heavy stocks experienced a significant sell-off early in the week due to increased competition in the AI sector, but markets managed to recoup some of the losses by week's end.

- Tech stocks are highly sensitive to news in the AI sector, and this week was a prime example of just how much they can react. DeepSeek, a Chinese AI startup, claimed to have developed an AI platform comparable to ChatGPT but with the advantage of being cheaper and more efficient. They asserted that training their platform was ten times easier than the competition. When news of this new platform broke, U.S. tech stocks plummeted.
- It was a news and data-heavy week for the markets, with the Federal Open Market Committee (FOMC) holding its first meeting of 2025. Fed officials unanimously voted to keep interest rates steady at 4.25-4.5%. During the press conference afterward, it was noted that while inflation remains above the target, labor market conditions are solid, giving no reason to cut rates.
- U.S. Gross Domestic Product (GDP) data revealed that the U.S. economy grew by 2.5% in 2024—slower than in 2023 but still solid, given factors like strong consumer spending and low unemployment. In the fourth quarter, GDP rose by 2.3%, compared to the 2.7% expected.
- The Personal Consumption Expenditure (PCE) for December, the Fed's preferred inflation gauge, came in as

expected, showing prices rising 2.6% on the year and 0.3% month-over-month.

- The European Central Bank cut interest rates by 25 basis points, lowering the rate to 2.9%. Surprisingly, the rate cut did not significantly impact the U.S. dollar, which would typically cause it to rise as the euro came under pressure. Instead, it remained steady, helped by news that tariffs on Mexico and Canada are set to go into effect on Saturday, February 1.
- A confusing memo from the Office of Management and Budget was released Monday evening and rescinded by Wednesday, following news of a pause on federal funding and a mandated program review. A federal judge issued a stay on the memo, effective until Monday, February 3. However, it was clarified that programs providing direct benefits to Americans are explicitly excluded from the pause and exempt from the review process.

U.S. Inflation Indicators



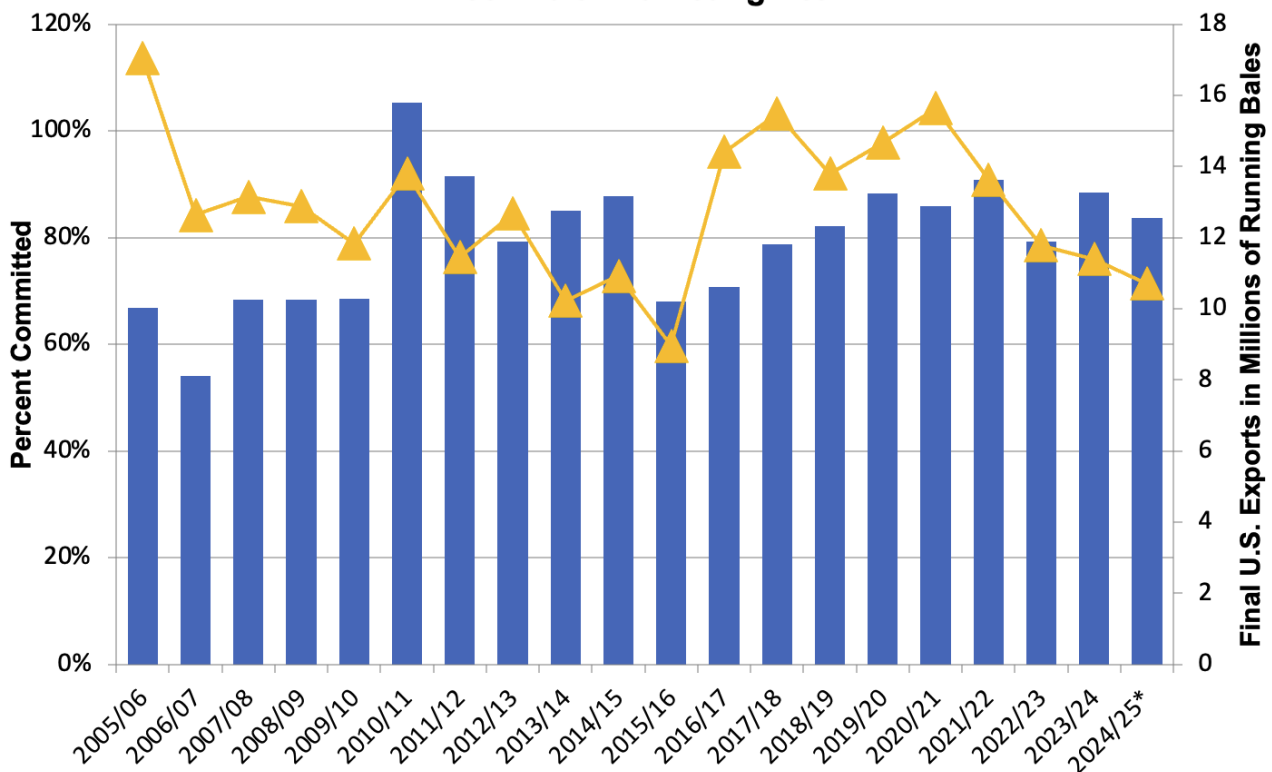
Source: U.S. Bureau of Economic Analysis
Retrieved: FRED

The U.S. Export Sales Report showed strong sales and lackluster shipments, possibly due in part to last week's holiday in the U.S.

- For the 2024/25 marketing year, U.S. merchants sold 280,000 Upland bales and shipped 153,500 bales. More business has been conducted at lower prices, and commitments for U.S. cotton remain strong despite the slower shipments.
- Recently, the U.S. has seen increased interest from Vietnam, Turkey, Pakistan, and Bangladesh, helping to keep sales strong. However, it's important to consider competing countries will gradually enter the global market in the months to come, posing increased competition for U.S. cotton.
- Pima sales and shipments were solid for the week. Merchandisers sold 7,200 bales and exported 7,900 bales.

U.S. Export Commitments as % of Final Exports

Week 26 of Marketing Year



The Week Ahead

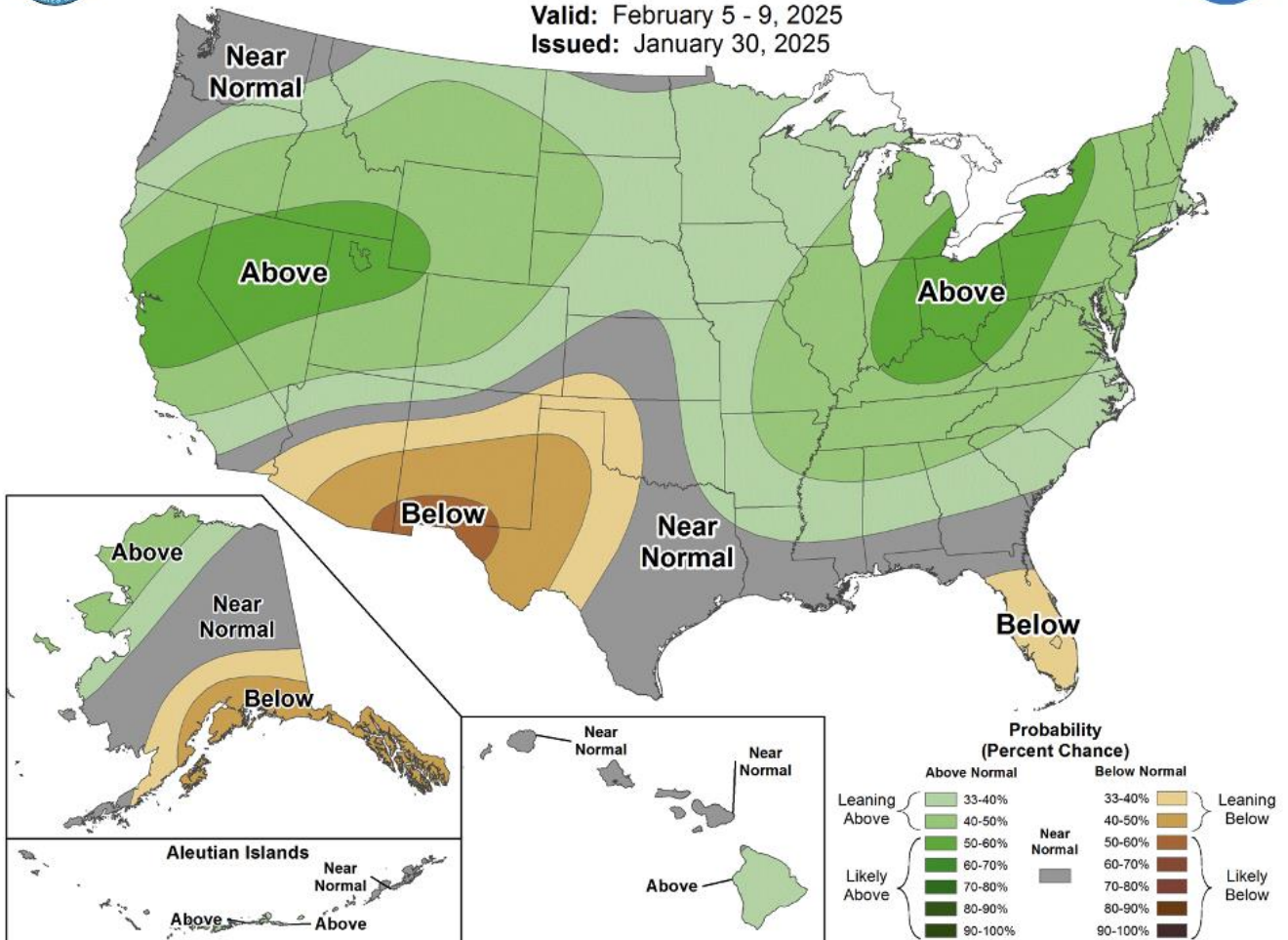
- With January behind us, February begins with a slightly slower week on the data front. Unemployment data will be released on Friday, and attention will also remain on any statements from President Trump regarding tariffs and what the impact will be.
- China's Lunar New Year holiday ends on February 3, so news from the country is expected to pick up next week. The largest indexes will continue rolling their positions forward, and March options expire on February 7.



6-10 Day Precipitation Outlook



Valid: February 5 - 9, 2025
 Issued: January 30, 2025

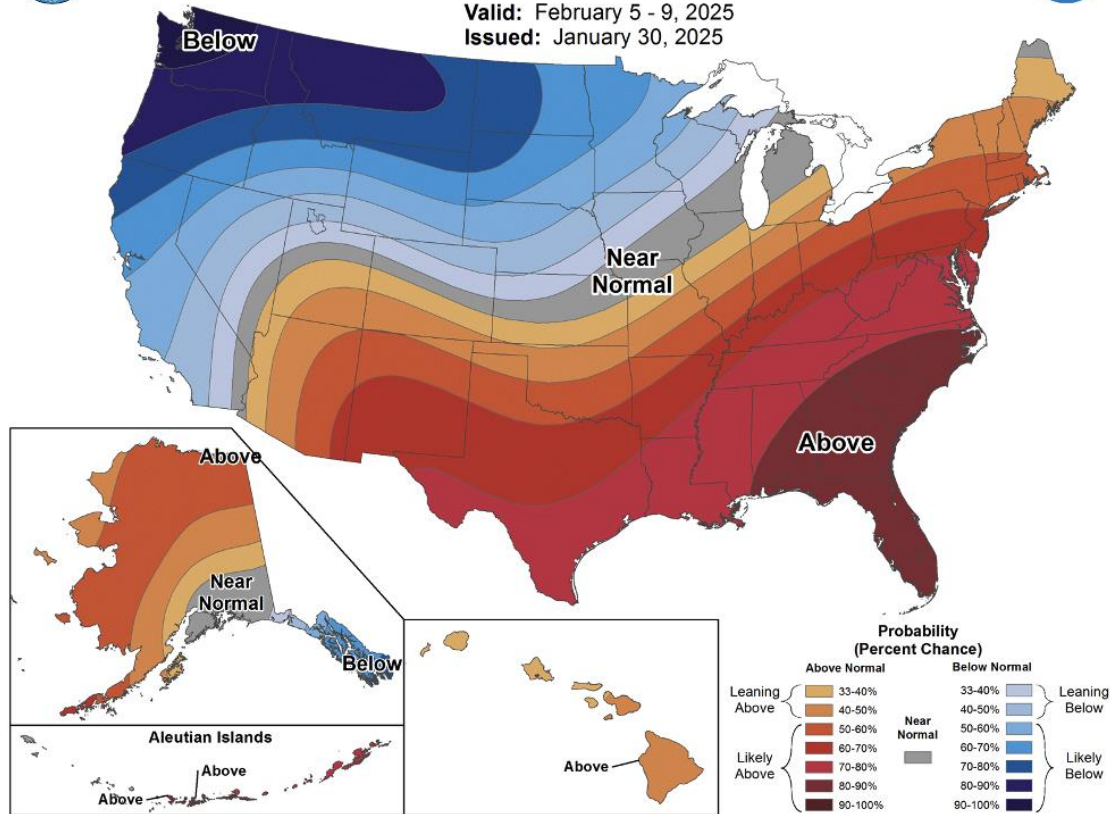




6-10 Day Temperature Outlook



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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 245,489 bales. There were 32,133 bales that traded on the G2B platform with an average price of 60.32 cents per pound. The average loan was 48.93, which resulted in a premium of 11.39 cents per pound over the loan.

ICE Futures Ending 1/30/2025

	Settlement	Daily Change	Weekly Change
Mar. '25	66.27	-0.39	-1.20
May '25	67.54	-0.26	-1.00
July '25	68.74	-0.22	-0.90
Dec. '25	68.88	-0.04	-0.58

Adjusted World Price (AWP)

	Official 1/31 thru 2/6
AWP	54.02
LDP/MLG	0.00
2024 FCA	0.00
Coarse Count	0.00