

Navigating 2025 Cotton Markets: Supply, Demand, Profitability, and Price

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Cotton Focus, Jackson, TN

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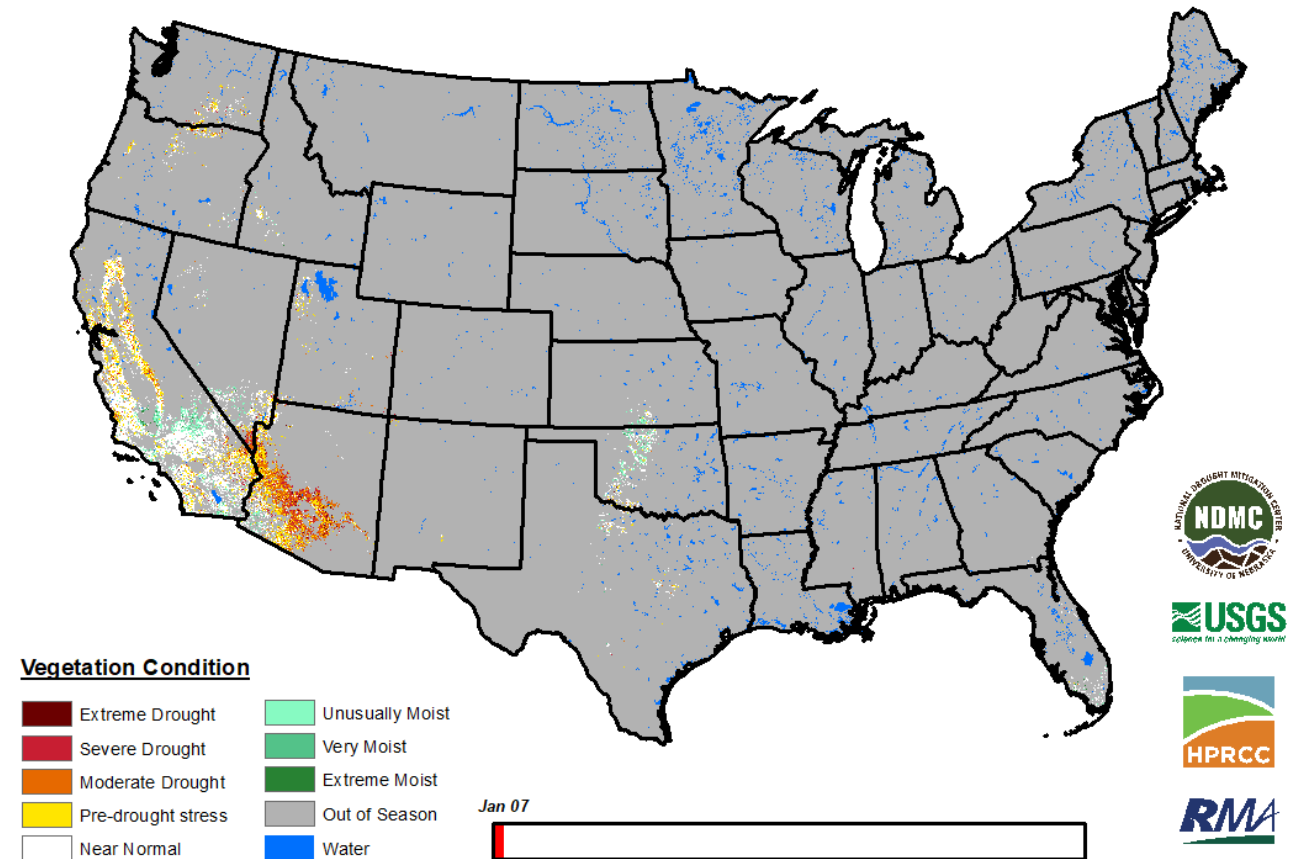
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Overview

- Policy, Trade, Tariffs, and Retaliatory Tariffs
- Supply and Demand Update
- 2025 Profitability and Old Crop/New Crop Prices, Marketing and Risk Management

2024 Vegetation Drought Response Index (VegDRI)



Estimates of the Economic Assistance for Producers Contained in the American Relief Act of 2025

Commodity	Payment (\$/acre)	Projected Tennessee Payments
Corn	\$42.51	\$30M
Cotton	\$87.26	\$25M
Soybeans	\$29.50	\$53M
Wheat	\$30.69	\$10M

*FAPRI estimated payment amounts per planted acre

*50% of prevented planted acres in 2024 eligible for payments

*Payments to be received by March 21.

Tennessee Crop Insurance Summary, 2024

Commodity	Acres Insured	Companion /Endorsed acres	Liabilities Million \$	Premium Million \$	Subsidy Million \$	Indemnity Million \$	Loss Ratio	Prod. Loss Ratio
Corn	667,001	63,258	\$370.32	\$32.93	\$21.82	\$44.84	1.36	4.04
Cotton	278,357	11,286	\$156.48	\$11.88	\$8.77	\$9.83	0.83	3.17
Soybean	1,583,420	165,006	\$647.71	\$48.08	\$32.21	\$49.06	1.02	3.09
Wheat	278,369	17,870	\$91.50	\$9.35	\$6.68	\$4.14	0.44	1.55
Total	2,807,147	257,420	\$1,266.02	\$102.23	\$69.48	\$107.87	1.06	3.29

2024 average cotton indemnity per insured acre \$35.31.

Effective Reference Price and Projected Marketing Year Average Price (PLC/ARC)

	2024 (ERP)	2024 MYA Price*	2025	2025 MYA Price*
Seed Cotton	\$0.3670	\$0.3433	\$0.3670	\$0.3420
Corn	\$4.01	\$4.25	\$4.26	\$4.13
Soybean	\$9.26	\$10.20	\$9.66	\$9.65
Wheat	\$5.50	\$5.55	\$5.56	\$5.79

*Projected FAPRI

- There will likely be a PLC payment on seed cotton for the 2024 crop. A similar PLC would be payable for the 2025 crop if prices don't improve.
- 2024 PLC Payment (\$/base acre) = $\$0.0237 \times \text{PLC Payment Yield} \times 85\%$
- **Example: $\$0.0237 \times 1,725 \times 85\% = \$34.75/\text{base acre}$ (~\$20M for Tennessee)**

Tennessee Cotton

	Yield (lb/acre)	Price (\$/lb)	Gross Revenue (\$/acre)	Acres Harvested (acres)	Tennessee Cash Receipts (\$)
2023	1,250	\$0.828	\$1,035	260,000	\$269,100,000
2024*	1,066	\$0.666	\$710	250,000	\$177,489,000
% Change	-14.7%	-19.6%	-31.4%	-3.8%	-34.0%

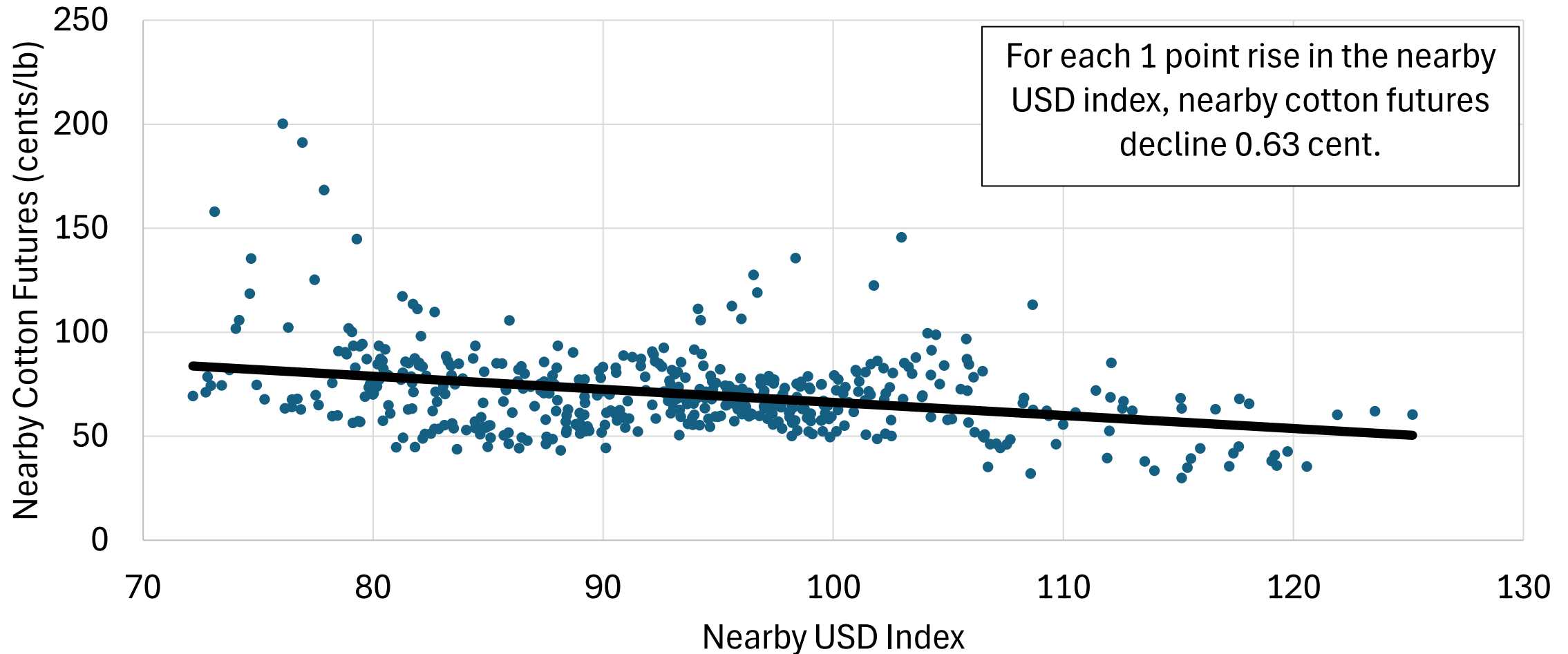
- Estimated as of January 2025

- **\$92M decline compared to last year**
- **\$25M (ARA) + \$10M (CI) + \$ 20M (PLC/ARC) = \$55M**
- **\$37M decrease in cash receipts (40% of decline)**

Trade, Tariffs, Retaliatory Tariffs

- Provides uncertainty in input prices, exports, and market access.
- 76% of U.S. cotton produced in 2024 is projected to be exported to foreign markets.
 - With ~ six months left in the marketing year, actual shipments have totaled only 3.7 million bales compared to the USDA estimate of 11.0 million.
- Strong USD provides export headwinds.

Monthly Nearby Cotton and USD Index Futures, 1985-2025



USD to BRL Exchange Rate, 2020-2025

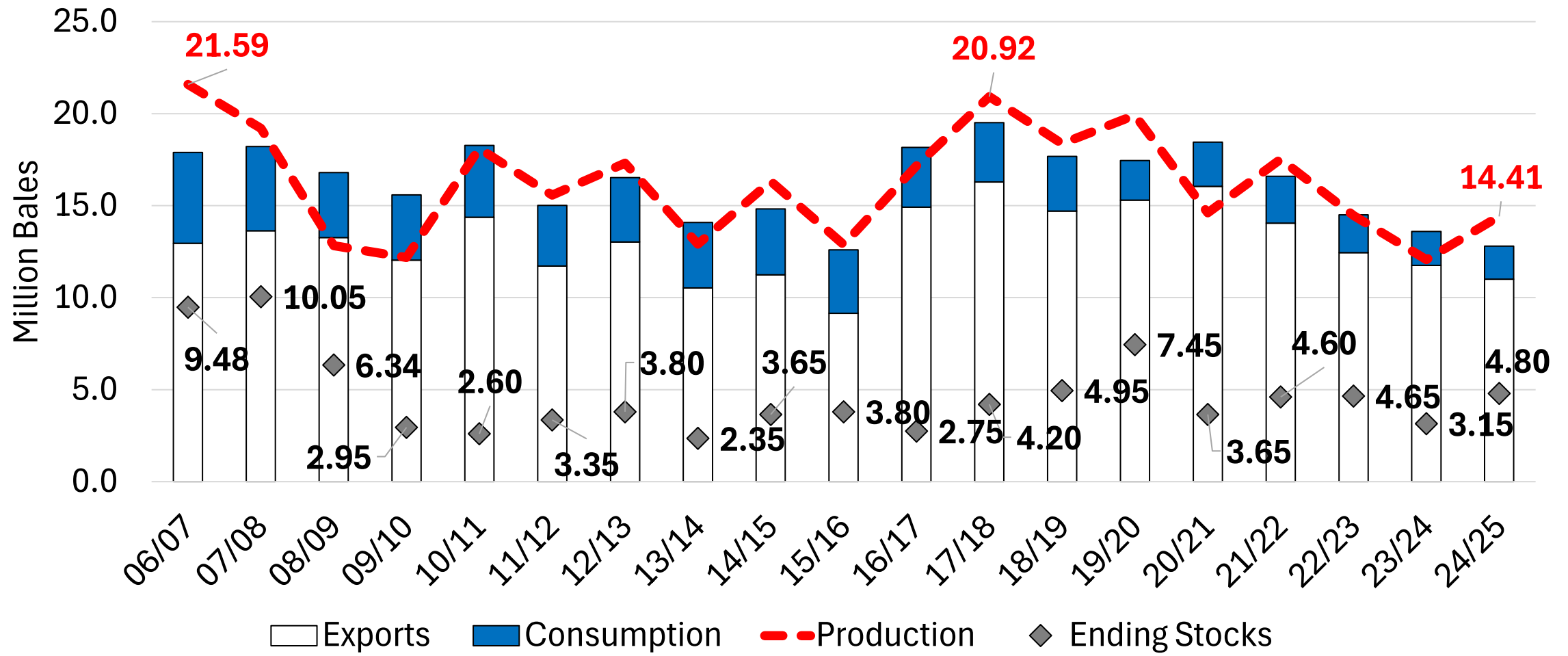




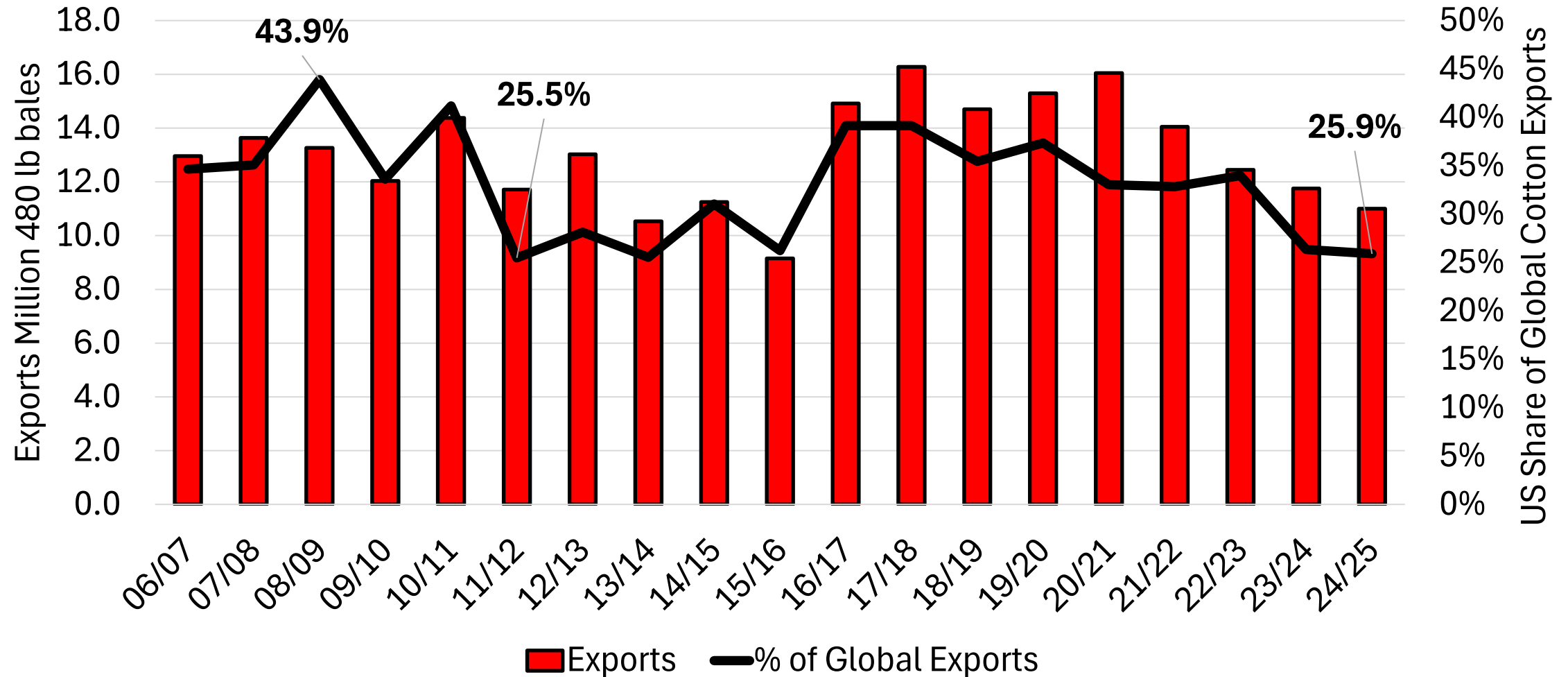
U.S., Global, The Rise of Brazil

SUPPLY AND DEMAND

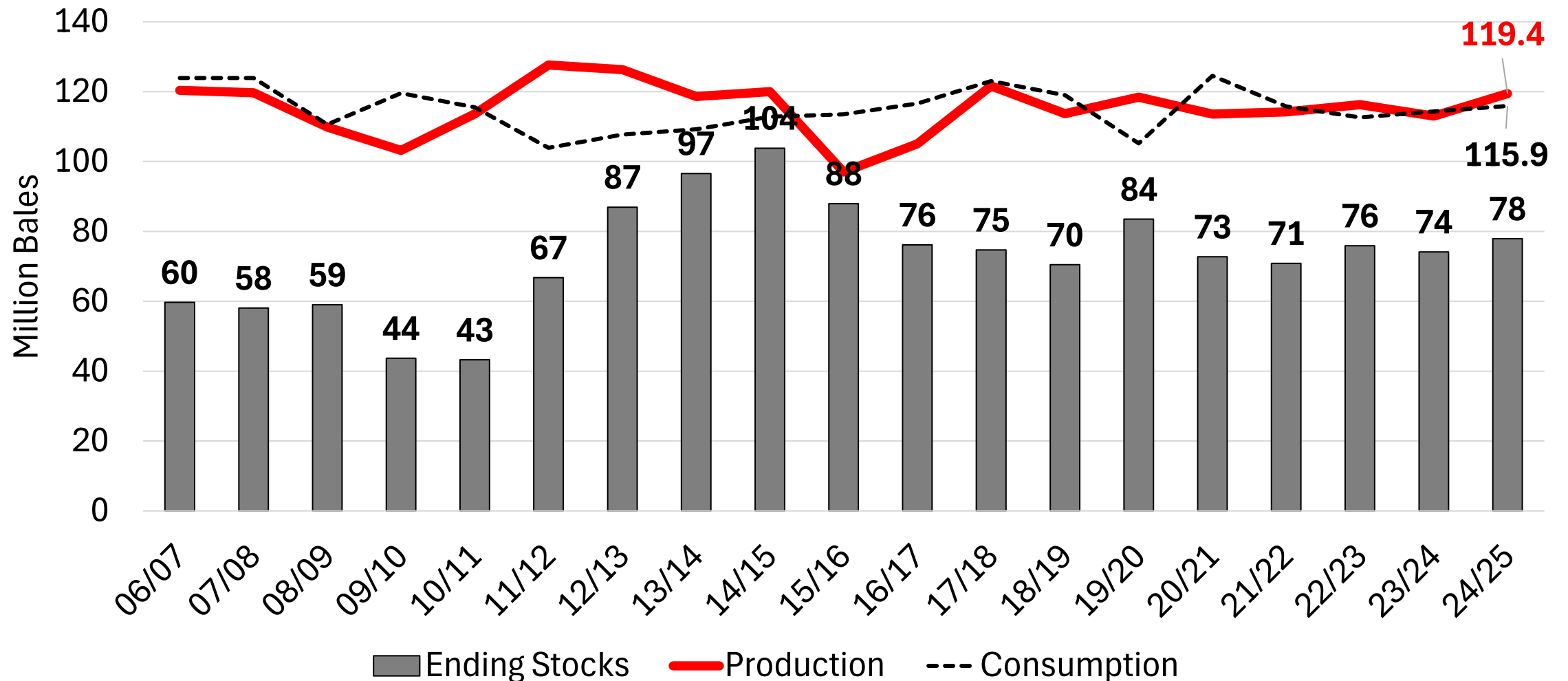
U.S. Cotton Production, Consumption, Exports, and Ending Stocks, 2006-2024



U.S. Cotton Exports and Share of Global Market, 2006-2024



Global Cotton Production Consumption, and Ending Stocks, 2006-2024

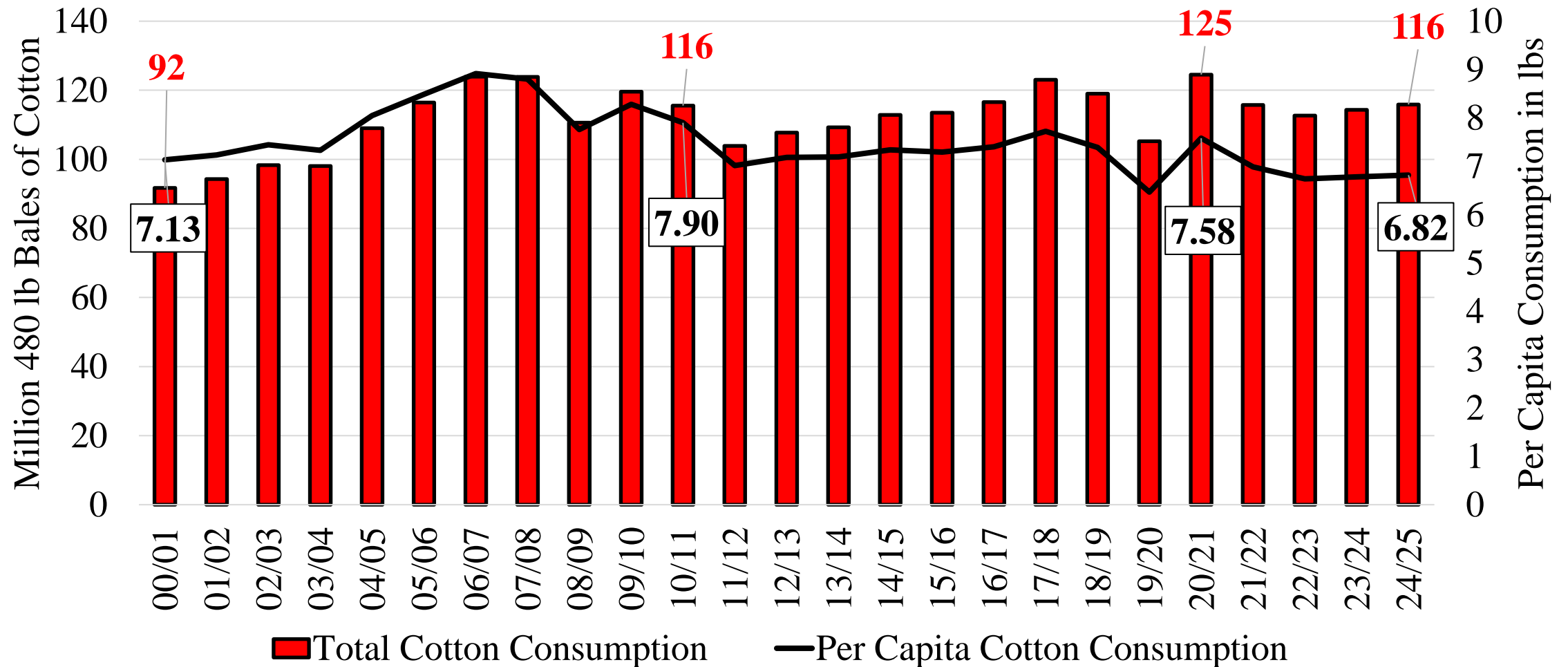


Ending Stocks Production Consumption

Data Source: USDA FAS

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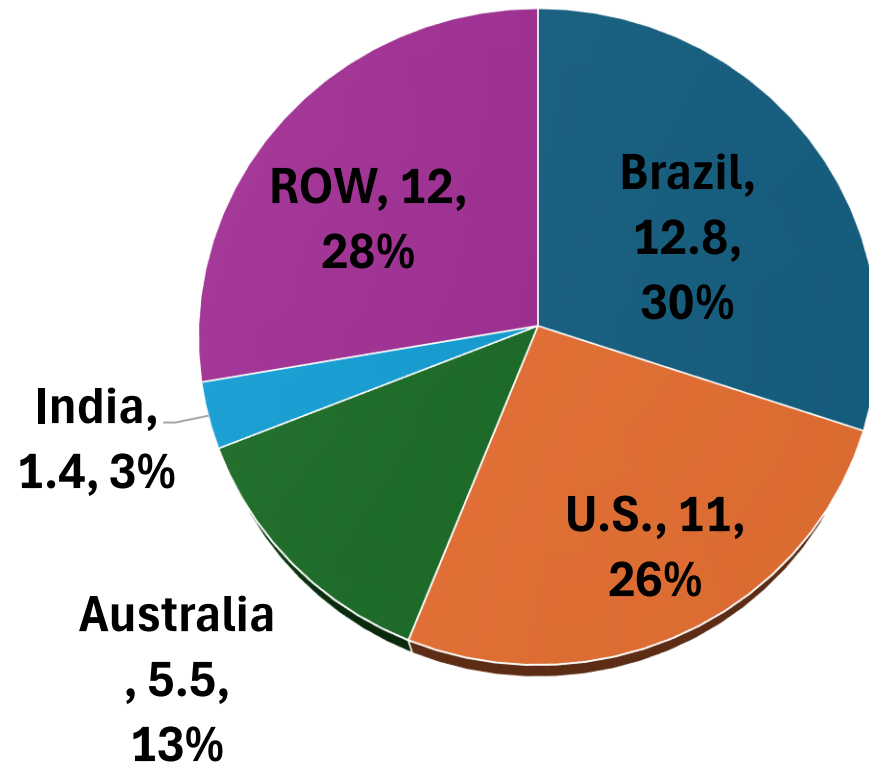
Global Cotton Consumption and Per Capita Consumption, 2000/01-2024/25



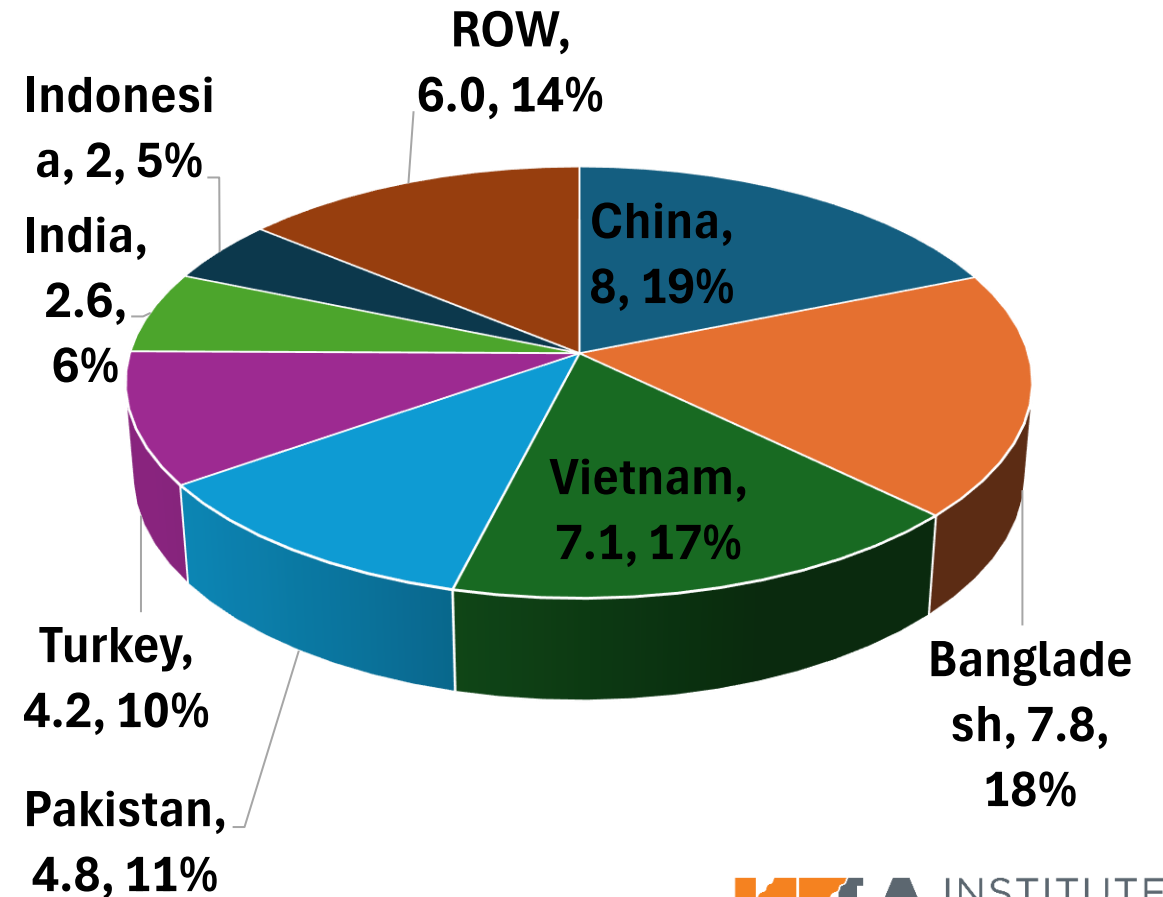
Data Source: USDA FAS
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Cotton Exporters and Importers 2024/25 Marketing Year

Exports

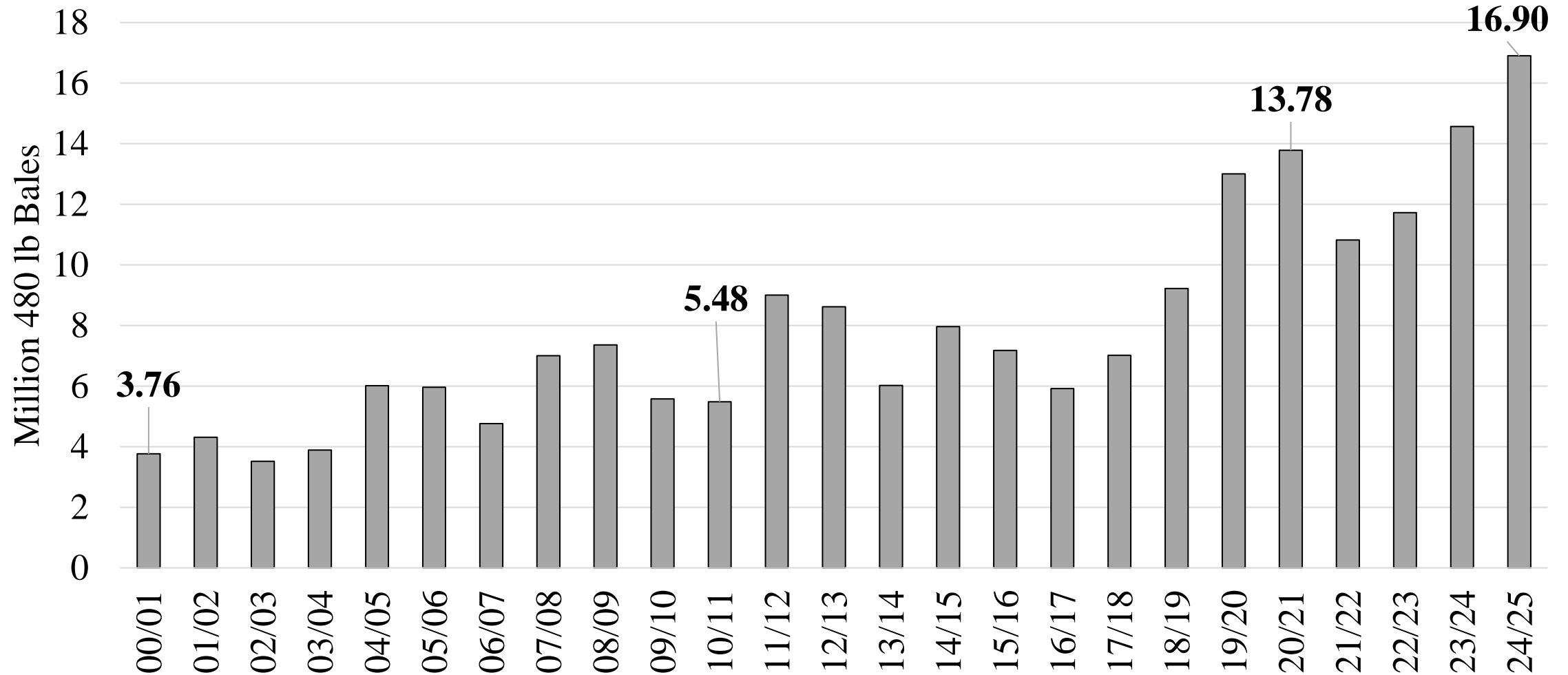


Imports



Data Source: USDA FAS *Real. Life. Solutions.*

Brazil Cotton Production, 2000/01-2024/25





2025 PROFITABILITY AND OLD CROP/NEW CROP PRICES, MARKETING AND RISK MANAGEMENT

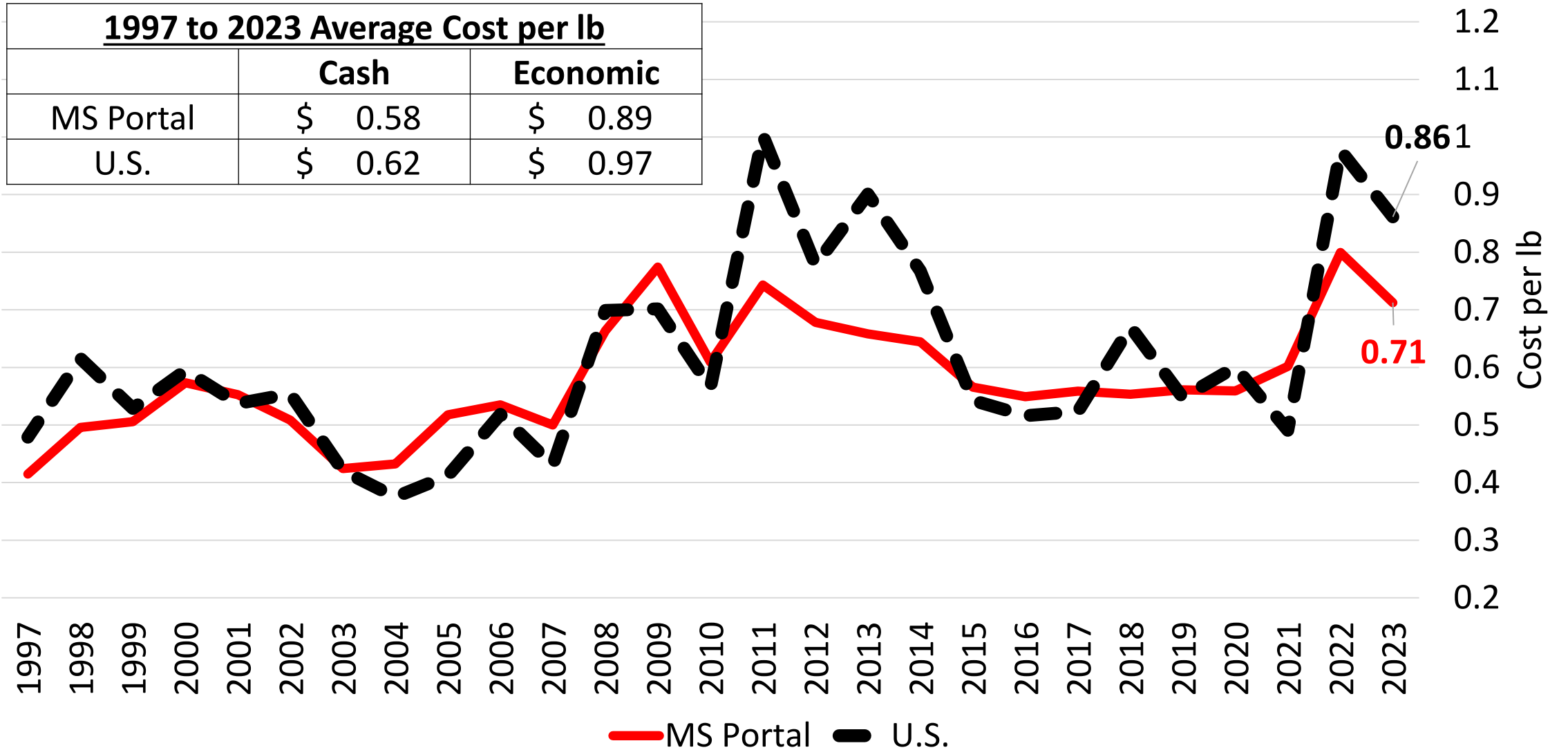
Factors That Have and Will Continue to Influence Cotton Prices

- Brazil Cotton Production
- Demand / Lack of Demand / Loss of Market Share to Other Suppliers and Synthetics
- Export Competitiveness and a High USD
- Trade, Tariffs, and Retaliatory Tariffs
- U.S. Planted Acreage
- Weather



Cotton Cash Cost for Specified Yield, 1997-2023

1997 to 2023 Average Cost per lb		
	Cash	Economic
MS Portal	\$ 0.58	\$ 0.89
U.S.	\$ 0.62	\$ 0.97



2025 Cotton, No-Till, Non-Irrigated Budget

		<u>Unit</u>	<u>Quantity</u>	<u>Price</u>	<u>Total</u>
Revenue	Cotton	lb.	1,150	\$0.72	\$828.00
	Government Payments	\$/acre	1	\$0.00	\$0.00
	Cotton Seed or Gin Rebate	\$/acre	1	\$0.00	\$0.00
			Total Revenue		\$828.00
Variable	Seed	Thous.	50	\$3.10	\$155.00
	Wrap	lb.	1,150	\$0.02	\$18.98
	Fertilizer & Lime	Acre	1	\$127.45	\$127.45
	Chemical	Acre	1	\$174.65	\$174.65
	Crop Scout or Consultant	Acre	1	\$12.00	\$12.00
	Repair & Maintenance	Acre	1	\$32.66	\$32.66
	Fuel, Oil & Filter	Acre	1	\$28.10	\$28.10
	Operator Labor	Acre	1	\$15.44	\$15.44
	Crop Insurance	Acre	1	\$11.15	\$11.15
	Operating Interest	%	\$575.43	8.00%	\$23.02
			Total Variable Expenses		\$598.44
			Return Above Variable Expenses		\$229.56
Fixed	Capital Recovery	Acre	1	\$171.72	\$171.72
	General Overhead	Acre	1	\$20.00	\$20.00
	Cash Rent	Acre	1	\$175.00	\$175.00
	Management Labor	Acre	1	\$25.00	\$25.00
			Total Fixed Expenses		\$391.72
			Total Expenses		\$990.16
			Return Above Specified Expenses		-\$162.16
			Cash Cost per lb		\$0.69
			Economic Cost per lb		\$0.86

Determine total costs and returns above specified costs for the yield target.

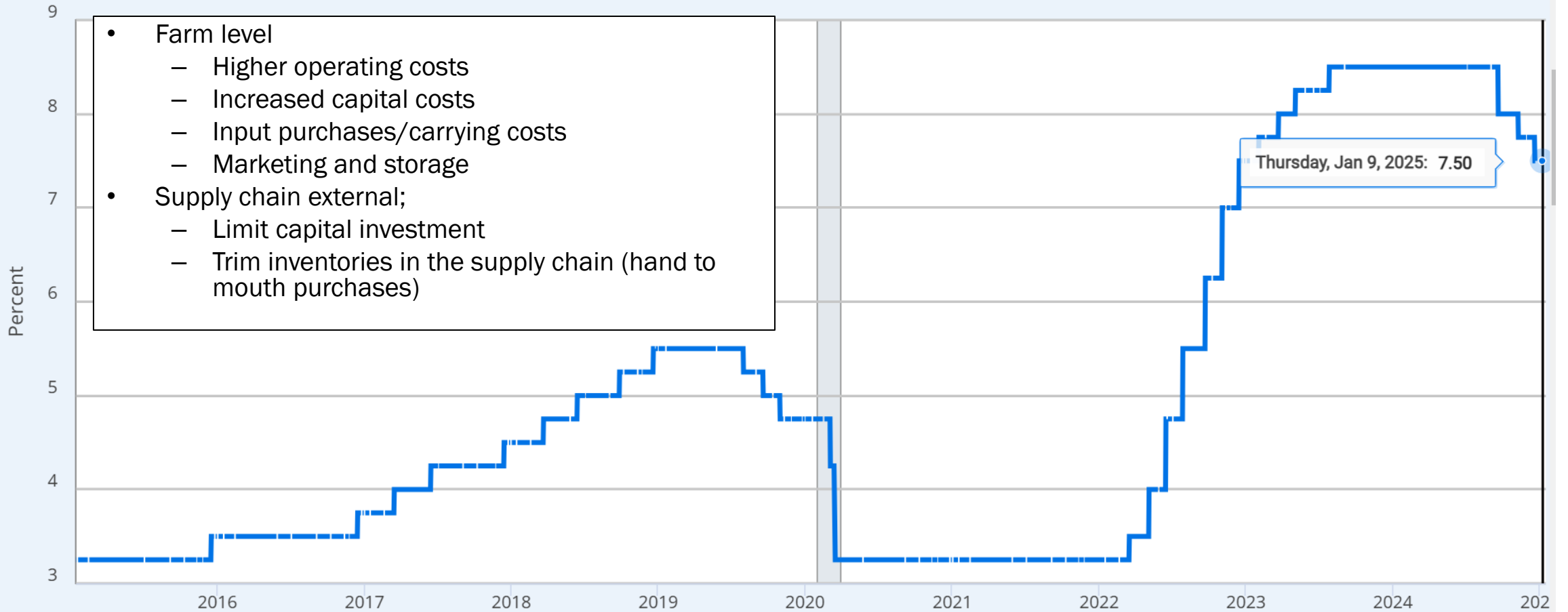
What are the cash costs and economics costs per pound?

What areas can we save without sacrificing yield?

Interest Rates

FRED

— Bank Prime Loan Rate



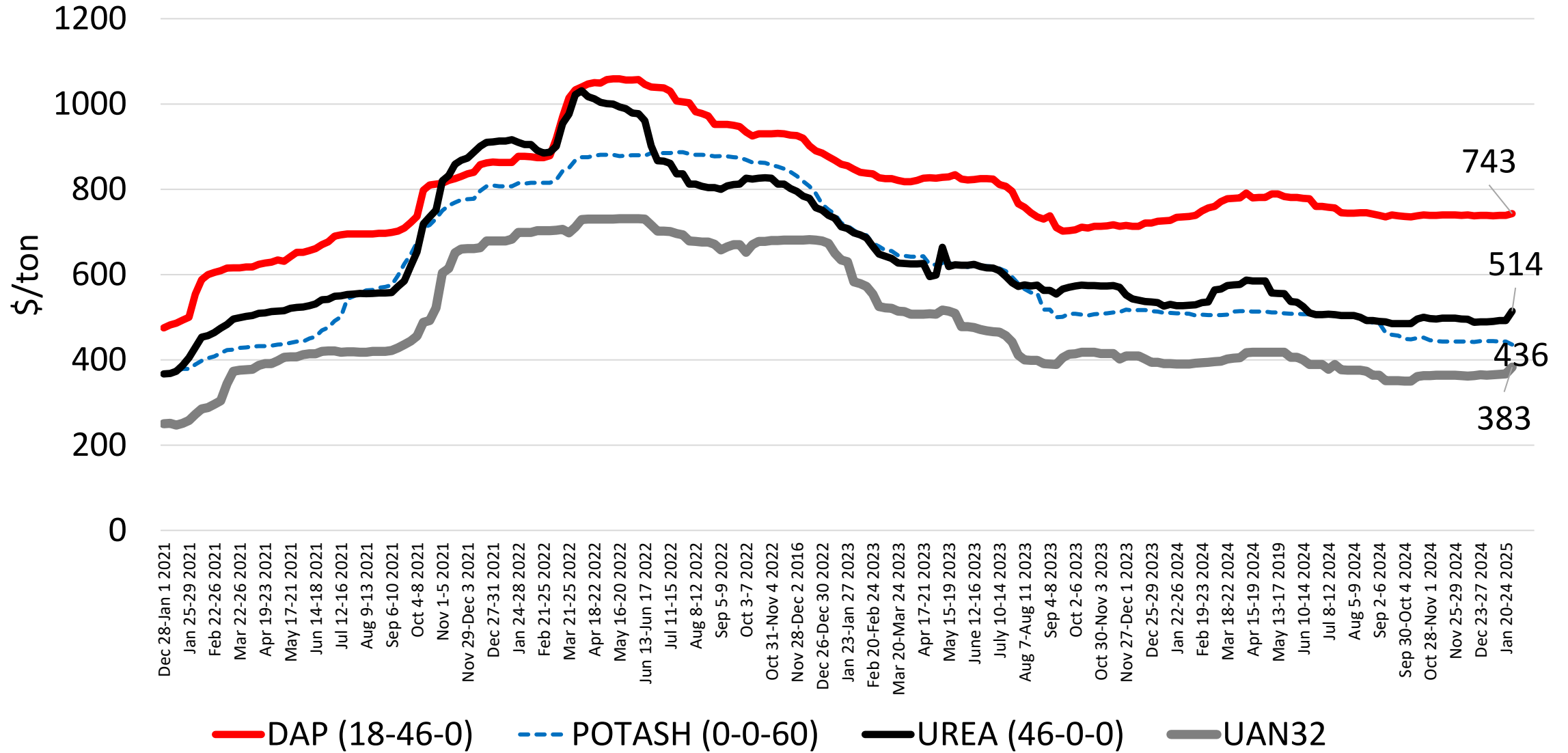
Source: Board of Governors of the Federal Reserve System (US) via FRED®

Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Back

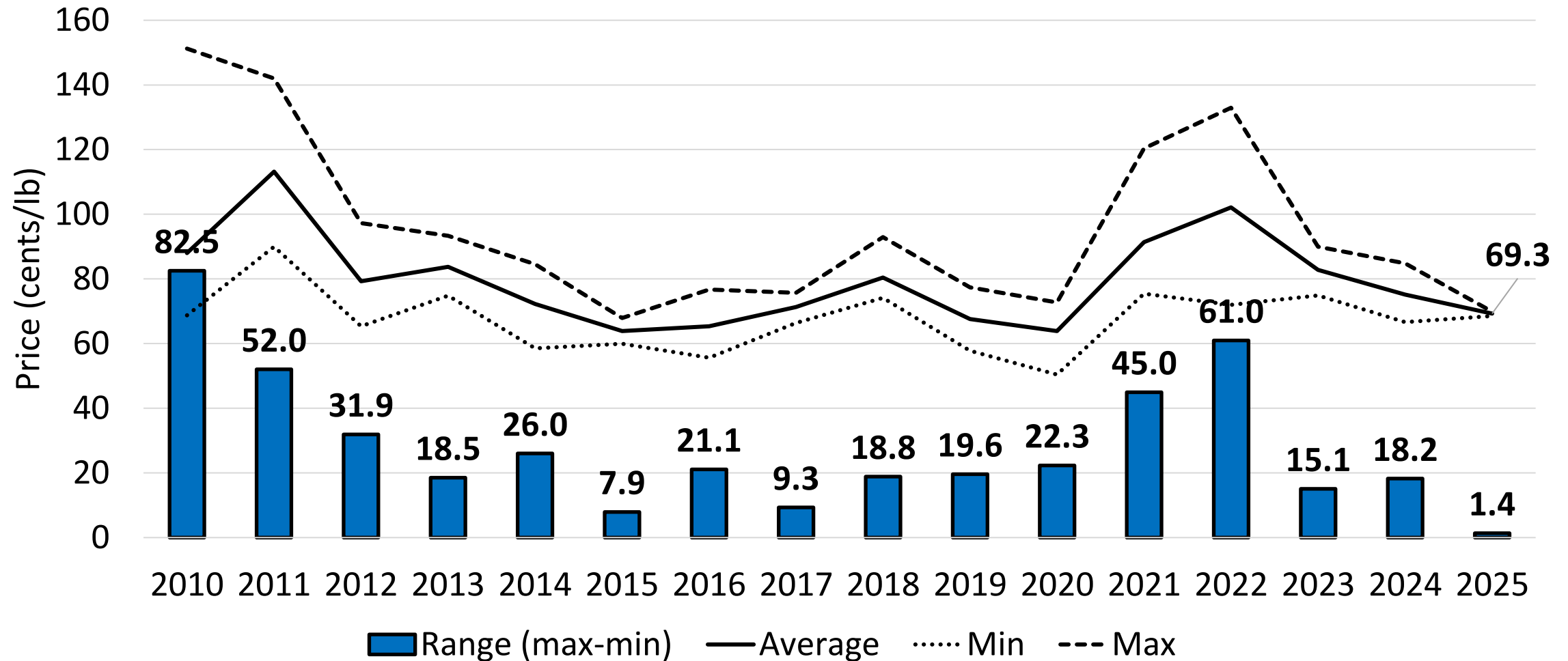
Select Fertilizer Prices, 2021-2025



Nearby Cotton Futures Prices, 2020-2025



December Cotton Futures Prices, Jan 1 to Expiration, 2010 to 2025



Data Source: Barchart
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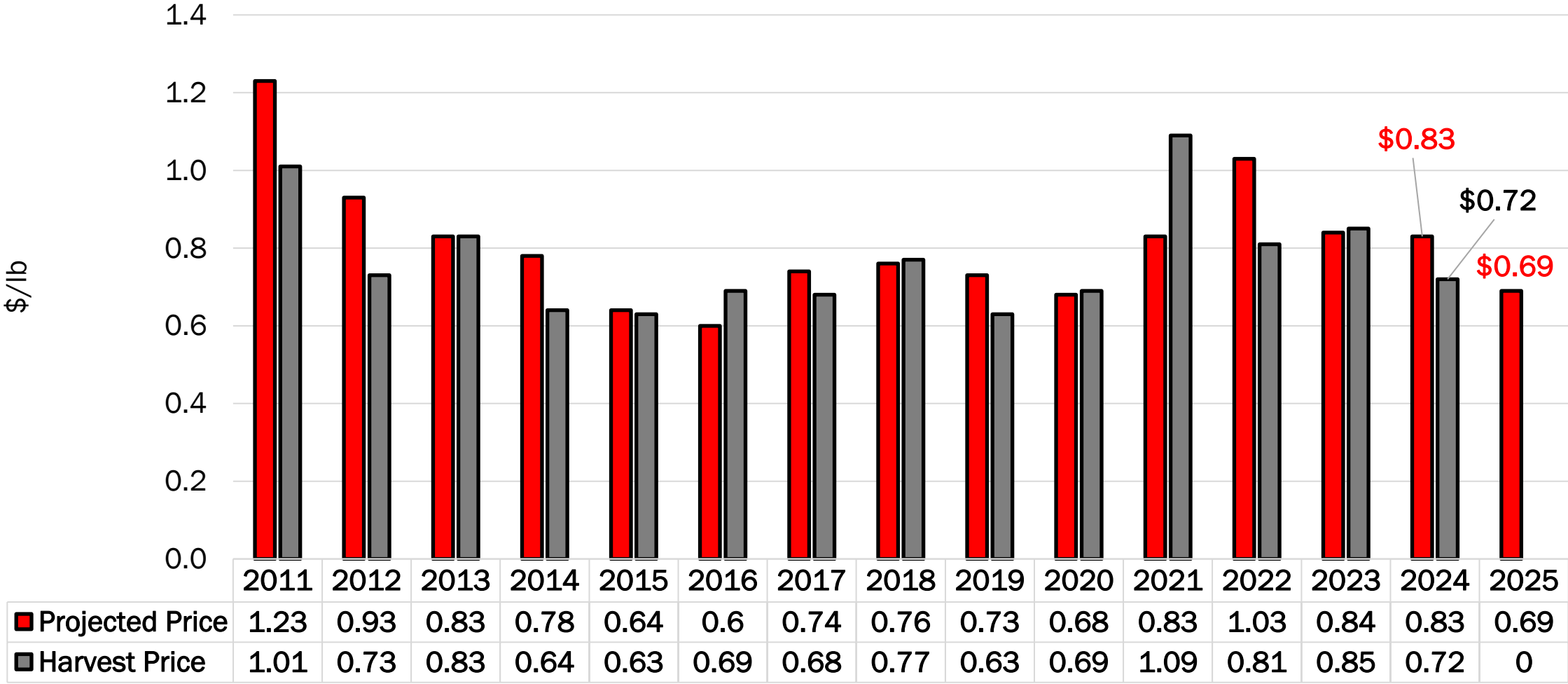
December 2025 Cotton Futures



Marketing and Risk Management

- Maximize crop insurance coverage for the premium paid.
 - Companion policies.
- ARC/PLC signup.
- Waiting is likely the best option but be prepared to price into a rally if it occurs.
- Carrying inventory comes with a high interest cost. Will the market deliver a return?

Crop Insurance Prices, 2011-2025



Take Home

- Global cotton demand will need to strengthen for significant price improvements.
- Brazil's rise has changed global cotton markets.
- 2025 acreage forecasts, down 5 to 10%.
- Profitability will be elusive in 2025 highlighting the need for an updated safety net.
- Producer pricing paralysis – no good options right now.

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THANK YOU

