

Navigating 2026 Cotton Markets

February 19, 2026

Dr. S. Aaron Smith, Professor and Extension Economist

Department of Agricultural and Resource Economics

University of Tennessee Institute of Agriculture

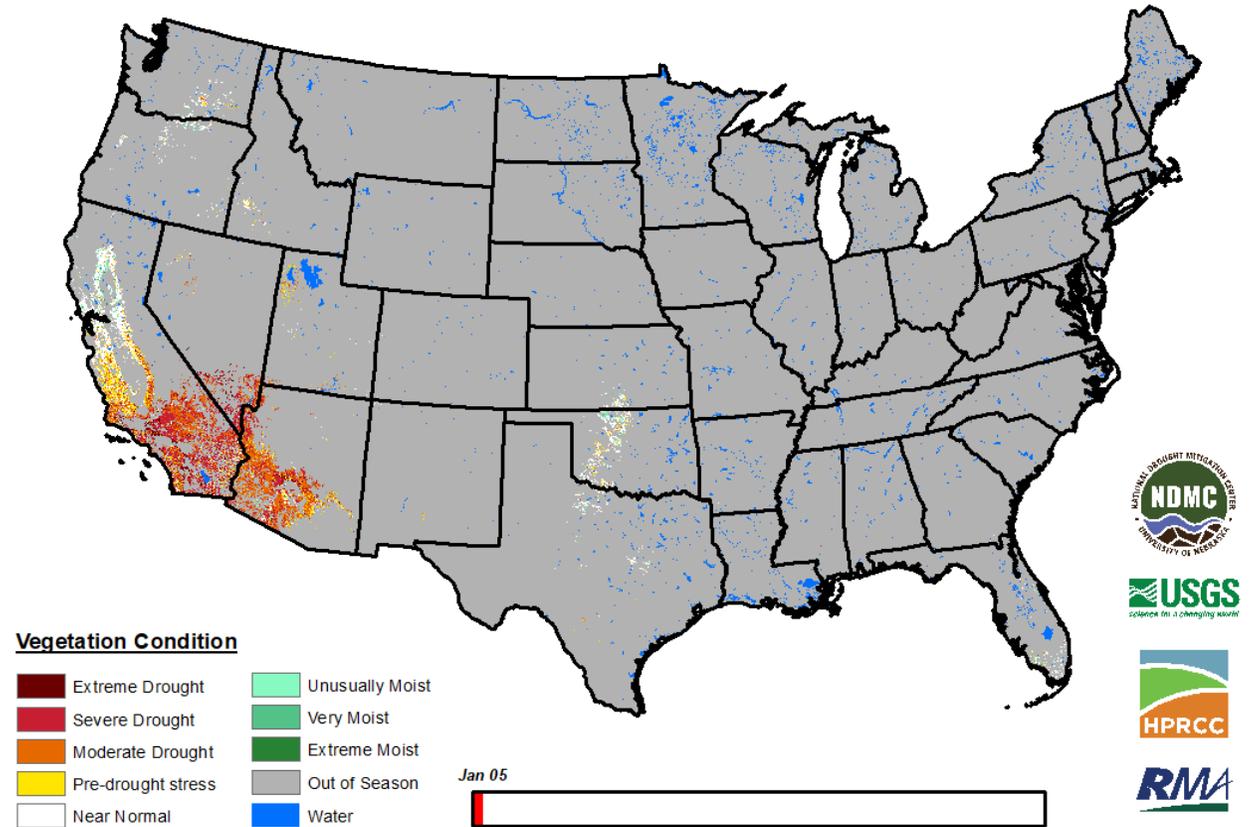
Email: aaron.smith@utk.edu

Web Page: <https://cropeconomics.tennessee.edu>

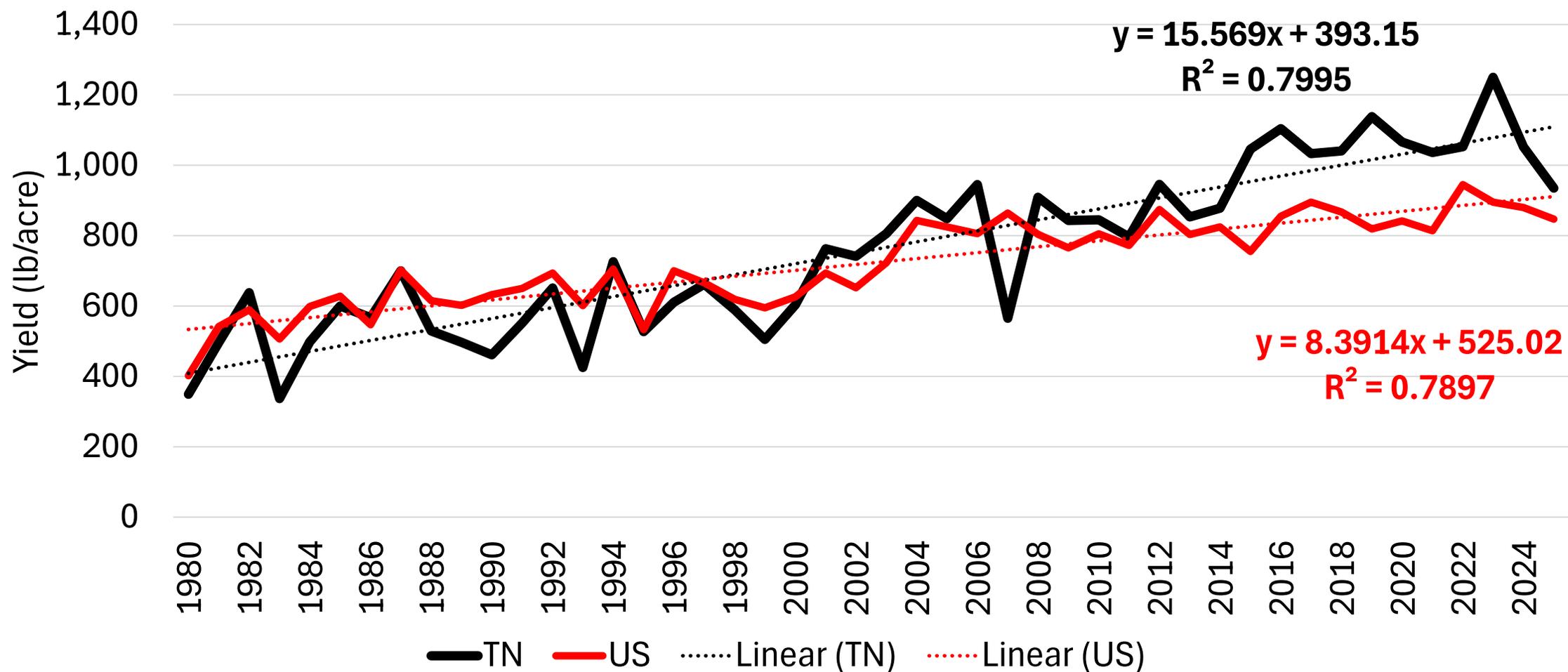
Overview

- 2025 Profitability
- Cotton Supply and Demand
- Commodity, Input Prices, and 2026 Profitability
- Price Expectations and Policy

2025 Vegetation Drought Response Index (VegDRI)



Upland Cotton Yields and Trendline, 1980-2025



2025 Tennessee Estimated Revenue and Production Costs

	Cotton	Soybeans	Corn	Wheat/Soybeans
Yield - Crop Production Report (Tennessee)	865	42	162	74/37
Average Harvest Price	\$0.65	\$10.36	\$4.28	\$5.27/\$10.36
Revenue	\$562	\$435	\$693	\$773
Variable Expenses	\$616	\$320	\$572	\$566
Returns Over Variable	(\$54)	\$115	\$121	\$207
Land Costs	\$150	\$150	\$150	\$150
Returns Over Variable and Land Costs	(\$204)	(\$35)	(\$29)	\$57
Fixed Costs (Capital Recovery and Management Labor)	\$205	\$149	\$166	\$260
Returns Over Specified Costs	(\$409)	(\$184)	(\$195)	(\$203)
Breakeven Price at Estimated Yield and Specified Cost	\$1.12	\$14.74	\$5.48	\$6.10/\$12.20

2025 Tennessee Crop Losses and Federal Payments

	Cotton	Soybeans	Corn	Wheat/Soybean	Total
FSA Acres Planted (2025)	202,244	1,213,629	897,270	291,791	2,604,934
Irrigation %	14%	8%	9%	4%	8%
Estimated Losses by Crop 2025	(78,993,473)	(170,298,140)	(168,294,115)	(59,197,391)	(476,783,118)
FBA Payment (Estimated)	23,733,333	37,476,864	39,802,897	20,492,482	121,505,576
Crop Insurance Payments (as at Feb 16, 2026)	14,567,264	47,999,880	37,418,918	21,143,106	121,129,168
2024 ARC/PLC (received Oct 2025)	21,886,609	14,879,780	25,106,034	3,577,523	65,449,946
Loss after safety net and ad hoc payments	(18,806,266)	(69,941,617)	(65,966,265)	(13,984,280)	(168,698,428)

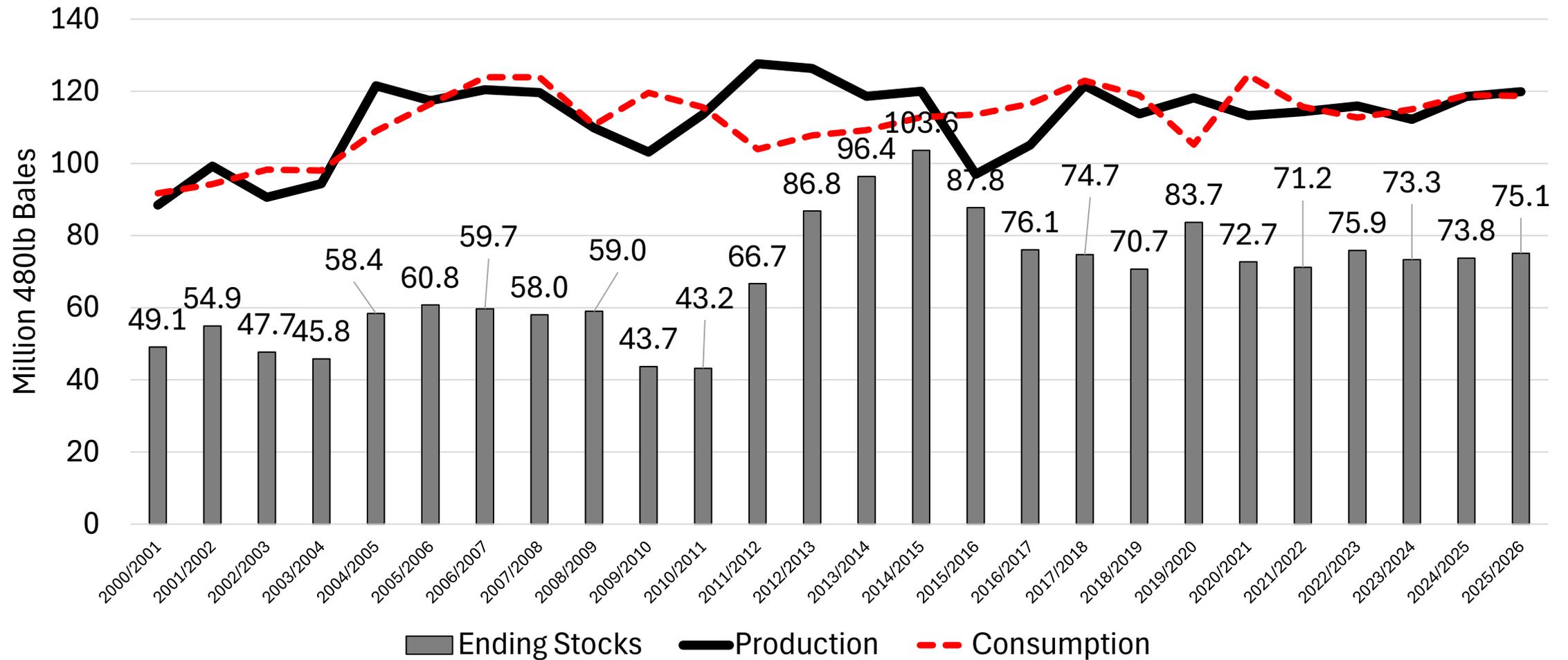
Notes:

- Losses are based on both irrigated and non-irrigated estimated returns for Tennessee
- FSA acres are from the January report
- FBA are estimated based on payment rate and planted acres; does not account for payment limitations
- Crop insurance indemnities are as at Feb 16, 2026; additional indemnities may be added to the RMA data
- ARC/ PLC payments are for the 2024 crop year; received in October 2025; ARC/PLC payments are based on base acres not planted
- Wheat/soybeans includes payments and revenue from both crops.
- Does not include Supplemental Disaster Relief Program (SDRP)

Farmer Bridge Assistance Program (FBA)

- **Corn: \$44.36**
- **Wheat: \$39.35**
- **Soybeans: \$30.88**
- **Cotton \$117.35**

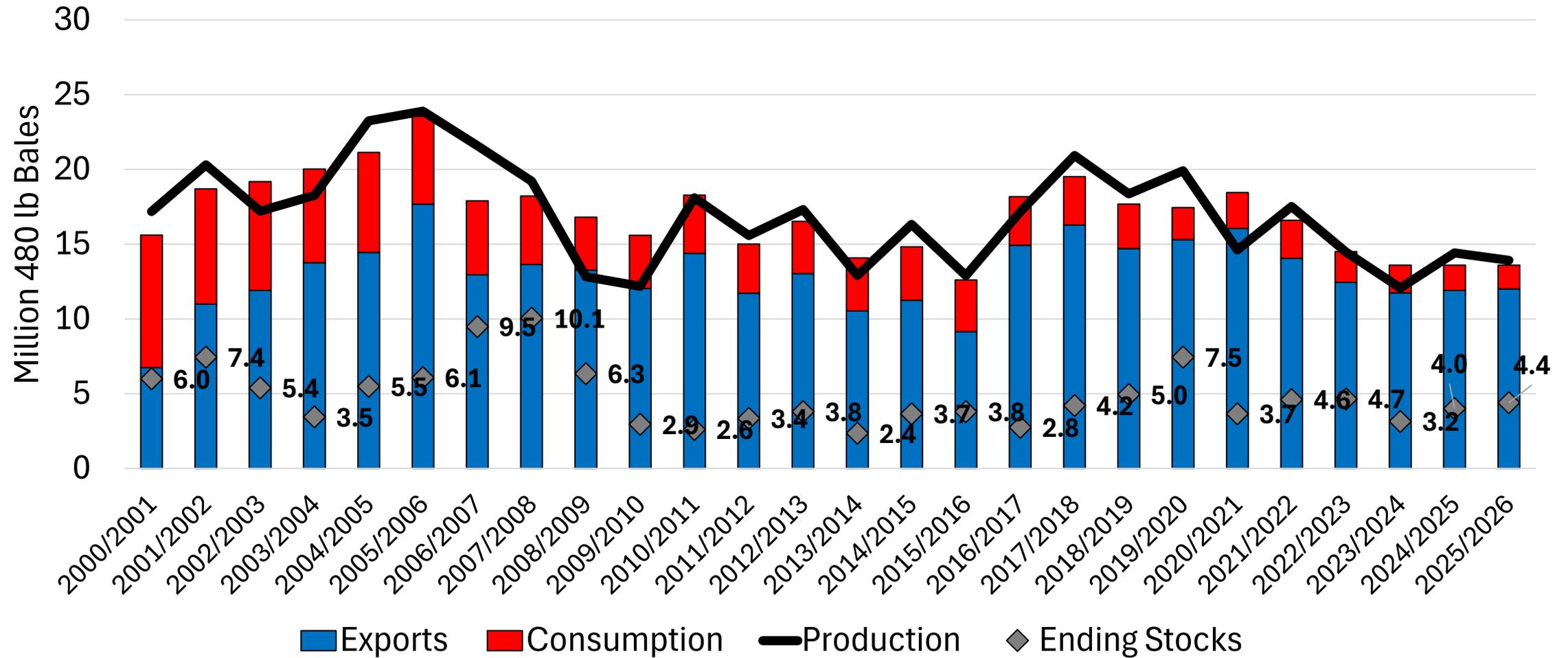
World Cotton Production, Consumption, and Ending Stocks



Source: USDA PSD <https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery>

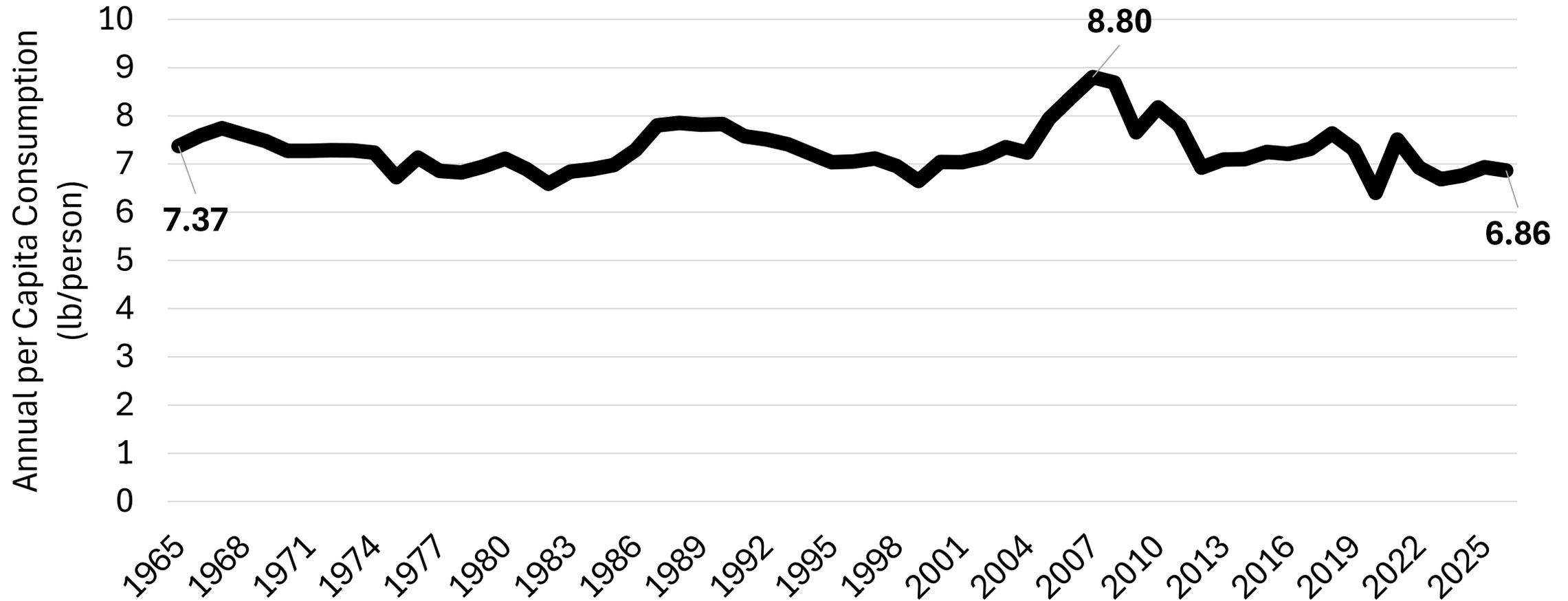
Real. Life. Solutions.

U.S. Cotton Production, Consumption, Exports, and Ending Stocks

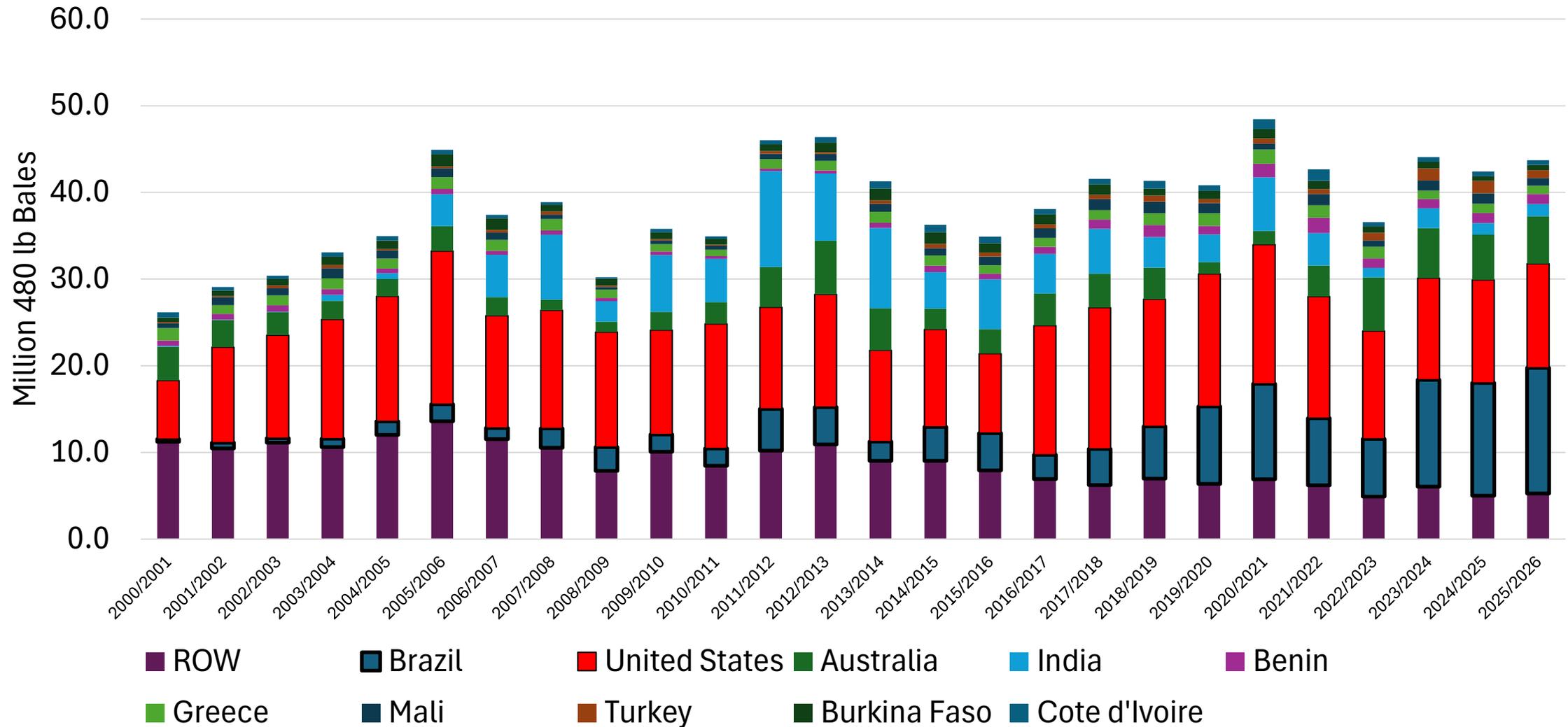


Source: USDA PSD <https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery>
 Real. Life. Solutions.

World Annual per Capita Consumption of Cotton, 1965-2026



Global Cotton Exports, 2000-2025



HOW WILL GLOBAL TRADE AND INTERNATIONAL AND DOMESTIC POLICY INFLUENCE SUPPLY, DEMAND, AND TRADE FLOWS?



2026 Estimated Cost-of-Production

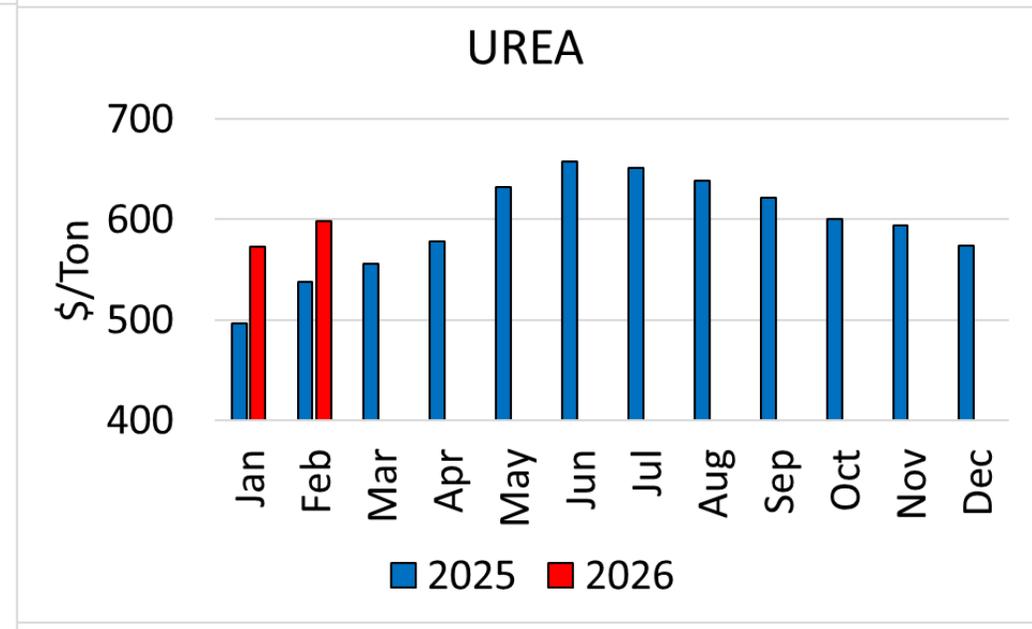
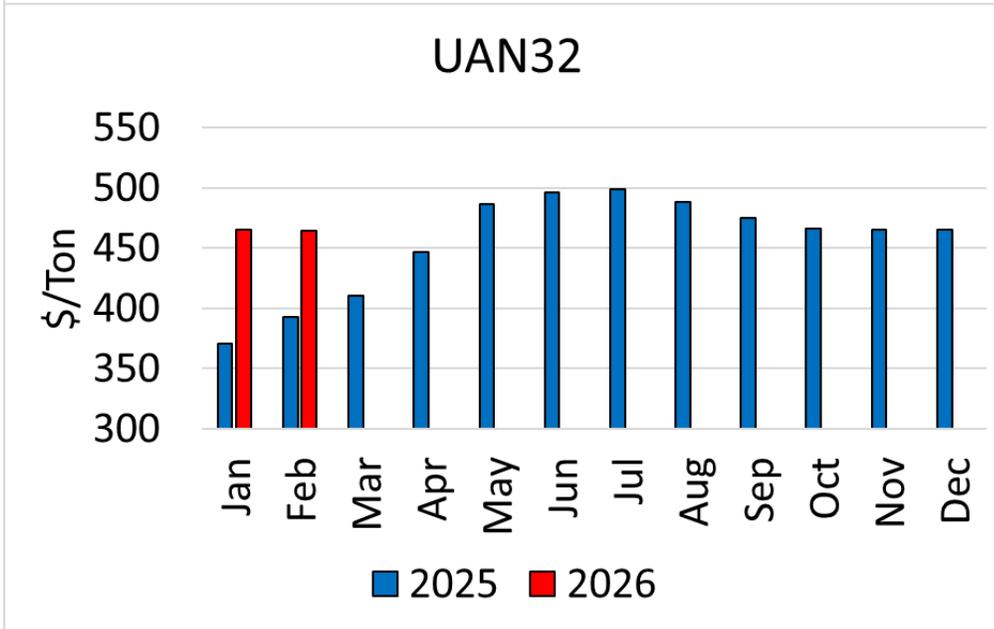
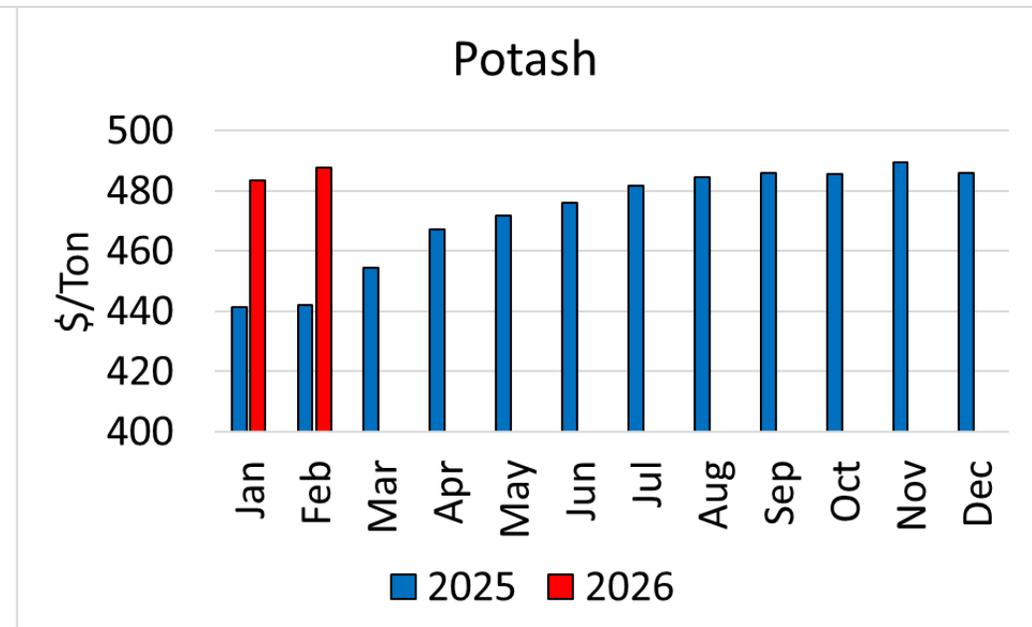
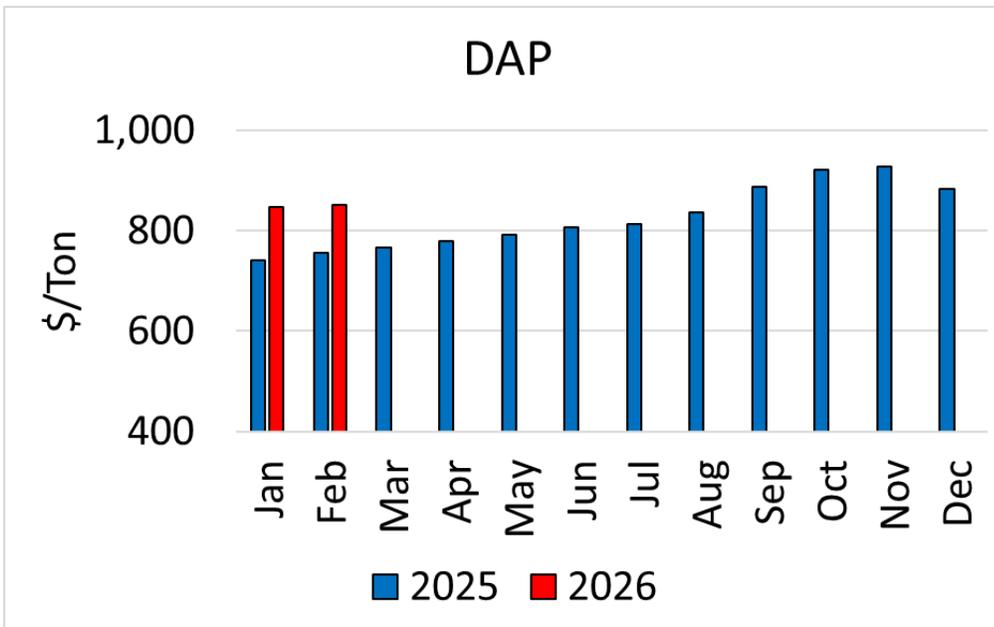
	Corn	Soybeans	Cotton
Crop Revenue	\$823	\$605	\$828
Yield	175	55	1,200
Price	\$4.70	\$11.00	\$0.69
Operating costs			
Seed	\$125	\$70	\$145
Fertilizer	\$210	\$60	\$125
Chemicals	\$70	\$105	\$160
Machinery operating cost or custom	\$85	\$75	\$95
Interest on operating capital	\$20	\$14	\$23
Total, operating costs	\$510	\$324	\$548
Allocated overhead			
Labor	\$40	\$30	\$50
Capital recovery of machinery and equipment	\$155	\$135	\$175
Land Expense	\$180	\$180	\$180
Taxes, insurance, and housing	\$21	\$18	\$22
General farm overhead	\$26	\$23	\$27
Total, allocated overhead costs	\$422	\$386	\$454
Total, costs listed	\$932	\$710	\$1,002
Revenue less specified costs	-\$110	-\$105	-\$174

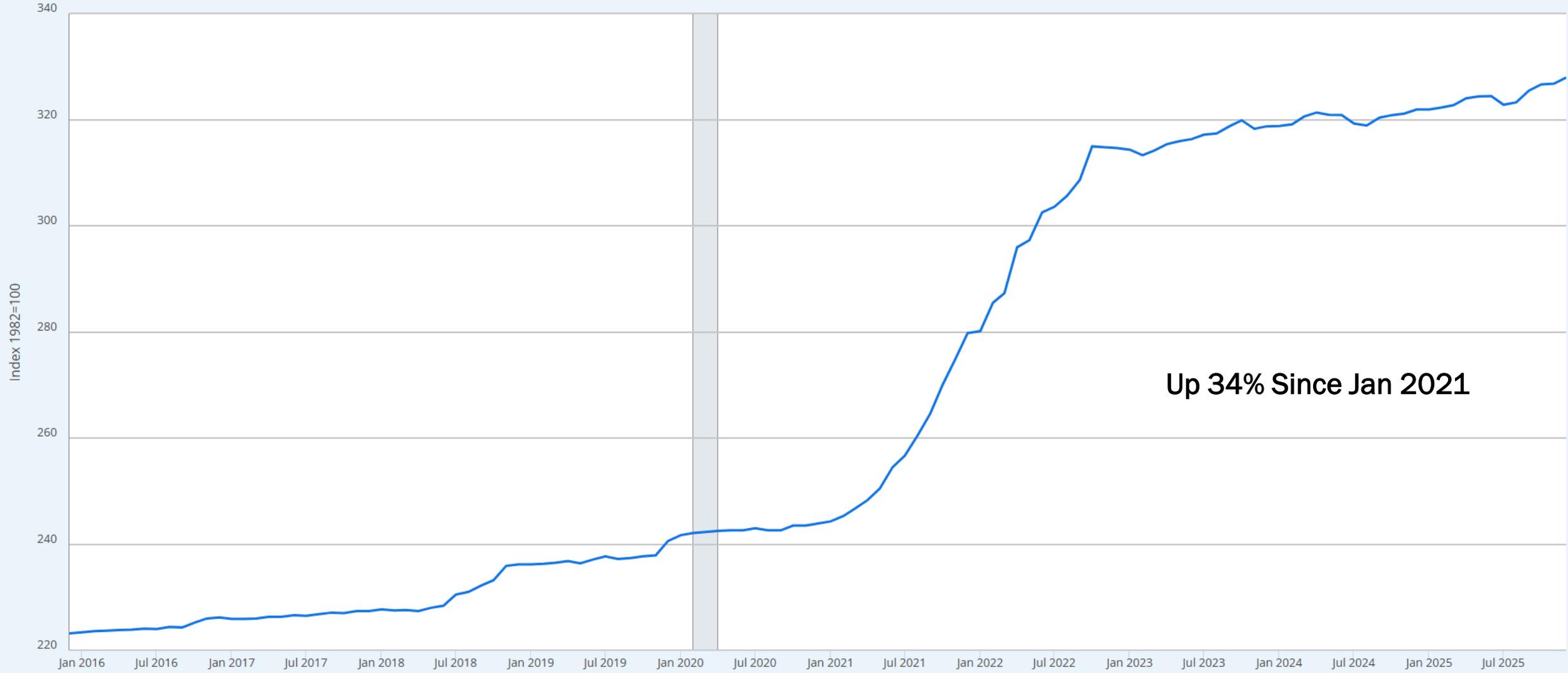
Cotton - Net Return Table (\$/acre) \$1,002/acre Cost of Production

Yield (lb/acre)

		1,000	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500
Price (cent/lb)	65.00	(352)	(320)	(287)	(255)	(222)	(190)	(157)	(125)	(92)	(60)	(27)
	66.00	(342)	(309)	(276)	(243)	(210)	(177)	(144)	(111)	(78)	(45)	(12)
	67.00	(332)	(299)	(265)	(232)	(198)	(165)	(131)	(98)	(64)	(30)	3
	68.00	(322)	(288)	(254)	(220)	(186)	(152)	(118)	(84)	(50)	(16)	18
	69.00	(312)	(278)	(243)	(209)	(174)	(140)	(105)	(71)	(36)	(2)	33
	70.00	(302)	(267)	(232)	(197)	(162)	(127)	(92)	(57)	(22)	13	48
	71.00	(292)	(257)	(221)	(186)	(150)	(115)	(79)	(44)	(8)	28	63
	72.00	(282)	(246)	(210)	(174)	(138)	(102)	(66)	(30)	6	42	78
	73.00	(272)	(236)	(199)	(163)	(126)	(90)	(53)	(17)	20	57	93
	74.00	(262)	(225)	(188)	(151)	(114)	(77)	(40)	(3)	34	71	108
	75.00	(252)	(215)	(177)	(140)	(102)	(65)	(27)	11	48	86	123
	76.00	(242)	(204)	(166)	(128)	(90)	(52)	(14)	24	62	100	138
	77.00	(232)	(194)	(155)	(117)	(78)	(40)	(1)	38	76	115	153
	78.00	(222)	(183)	(144)	(105)	(66)	(27)	12	51	90	129	168
	79.00	(212)	(173)	(133)	(94)	(54)	(15)	25	65	104	144	183
80.00	(202)	(162)	(122)	(82)	(42)	(2)	38	78	118	158	198	

Fertilizer Prices

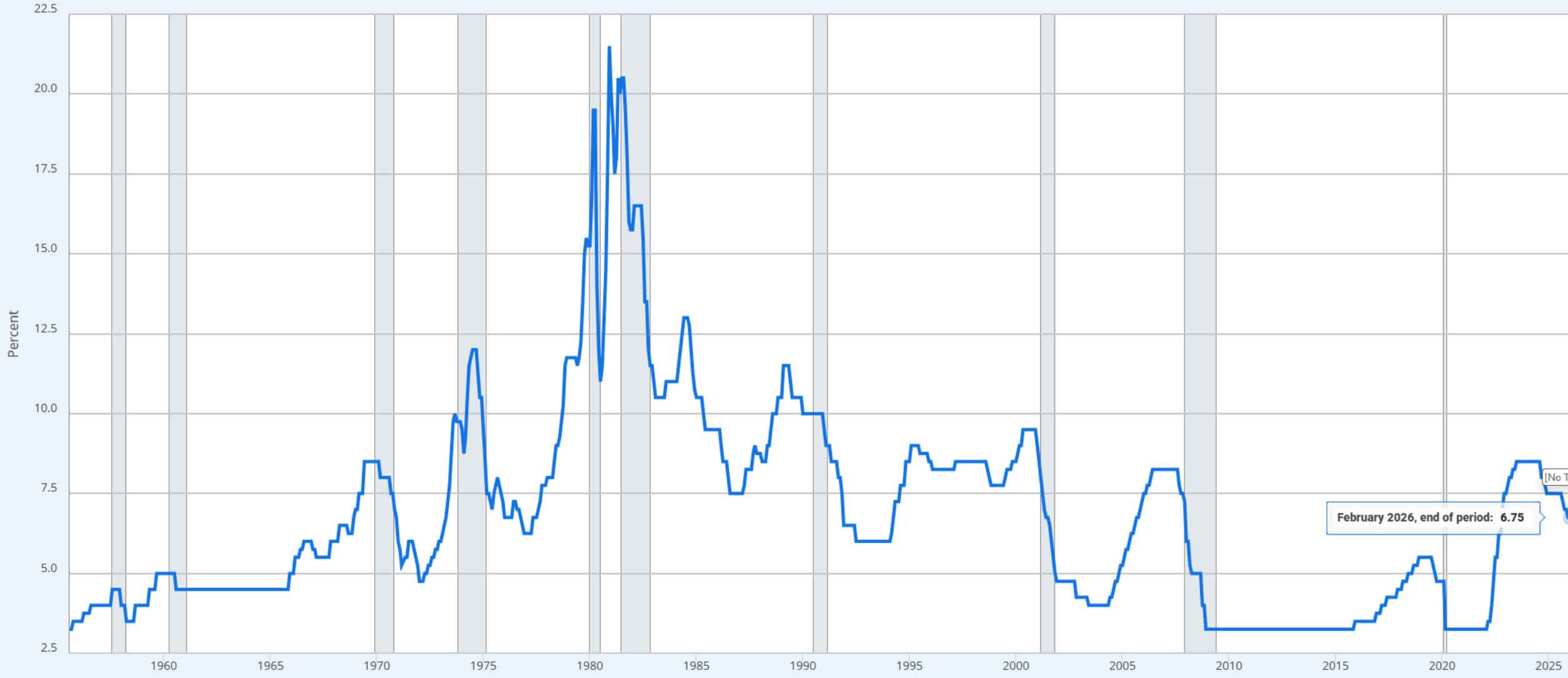




Up 34% Since Jan 2021

Source: U.S. Bureau of Labor Statistics via FRED®
Shaded areas indicate U.S. recessions.

Source: <https://fred.stlouisfed.org/series/WPU111>



Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions

February 2026, end of period: 6.75

Save interest when you can!

500,000 over 15 years

Interest Rate	3.5%	5.5%	8.5%
Interest	\$143,394	\$235,375	\$386,265
Change	-	\$91,981	\$242,871

Crop Insurance Considerations

- Insurance Type / Production Practices
- Unit Structure
- Price / APH
- Buy-up Coverage
- Premium
- Trigger Yields / Guarantees
- Companion Policies

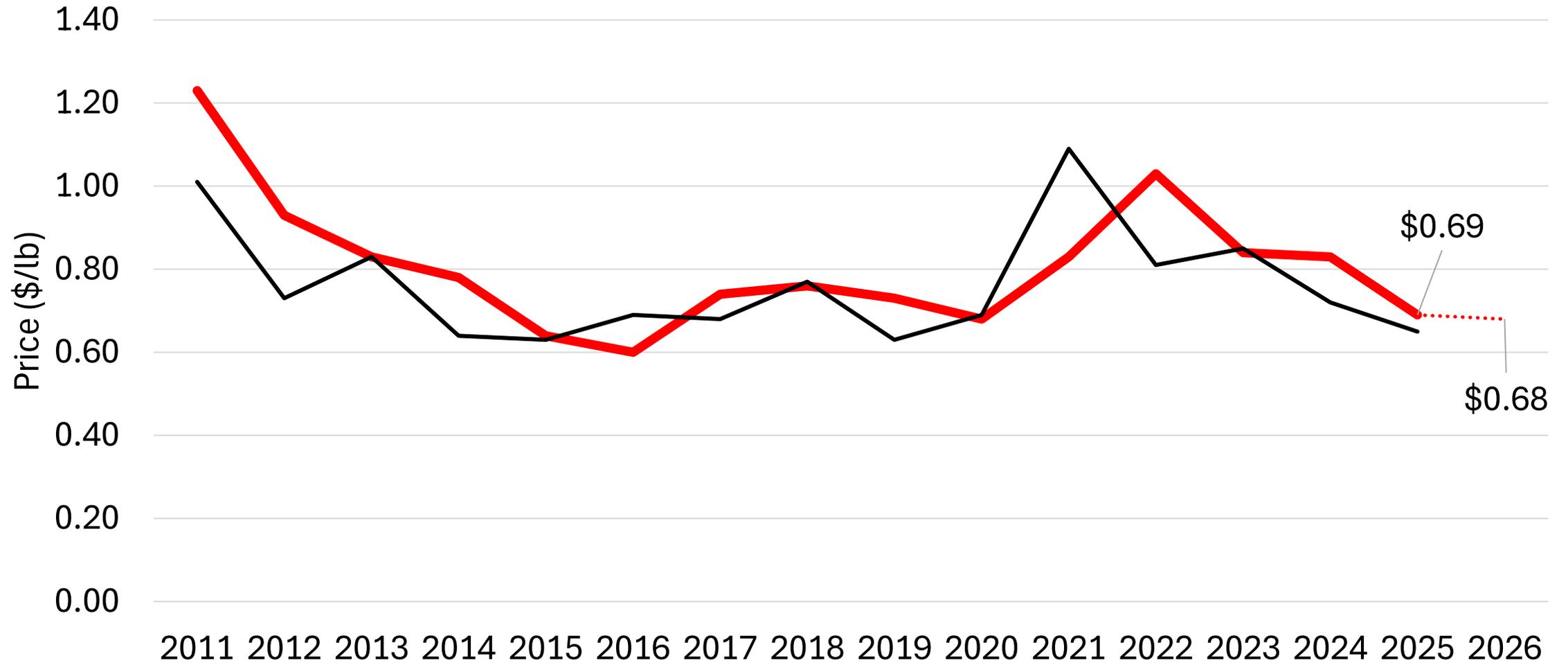
2025 Tennessee Cotton Crop Insurance Summary

	Cotton
Acres Insured (Companion Policy)	227,355 (18,042)
Liability	\$112,189,504
Total Premium	\$8,364,976
Producer Premium	\$2,396,682
Avg. Producer Paid Premium per Acre	\$10.54
Indemnities	\$14,567,264

Data as of February 16, 2026

Loss ratio (liabilities/total premium) of 1.74

TN Cotton Crop Insurance Prices, 2011-2025



Cotton #2 (CTH26) O:61.51 H:61.55 L:61.50 C:61.50 ^ -0.05 (-0.08%) 20:48 CT DELAYED

Actions ▾

Symbol... Daily ▾ 1-Year ▾ ☒ ▾ Indicators Compare f(x) 1x1 ▾

Templates ⚙️ ⬆️ 🌙



Futures Market Nearby and Harvest Prices

	Nearby	2026	2027	2028
Cotton	61.51	68.04	68.47	69.56
Corn	\$4.27	\$4.60	\$4.71	\$4.72
Soybean	\$11.33	\$11.16	\$10.94	\$10.92
Wheat	\$5.49	\$5.62	\$6.10	\$6.31

Data Source: <https://www.barchart.com/futures/grains?viewName=main>

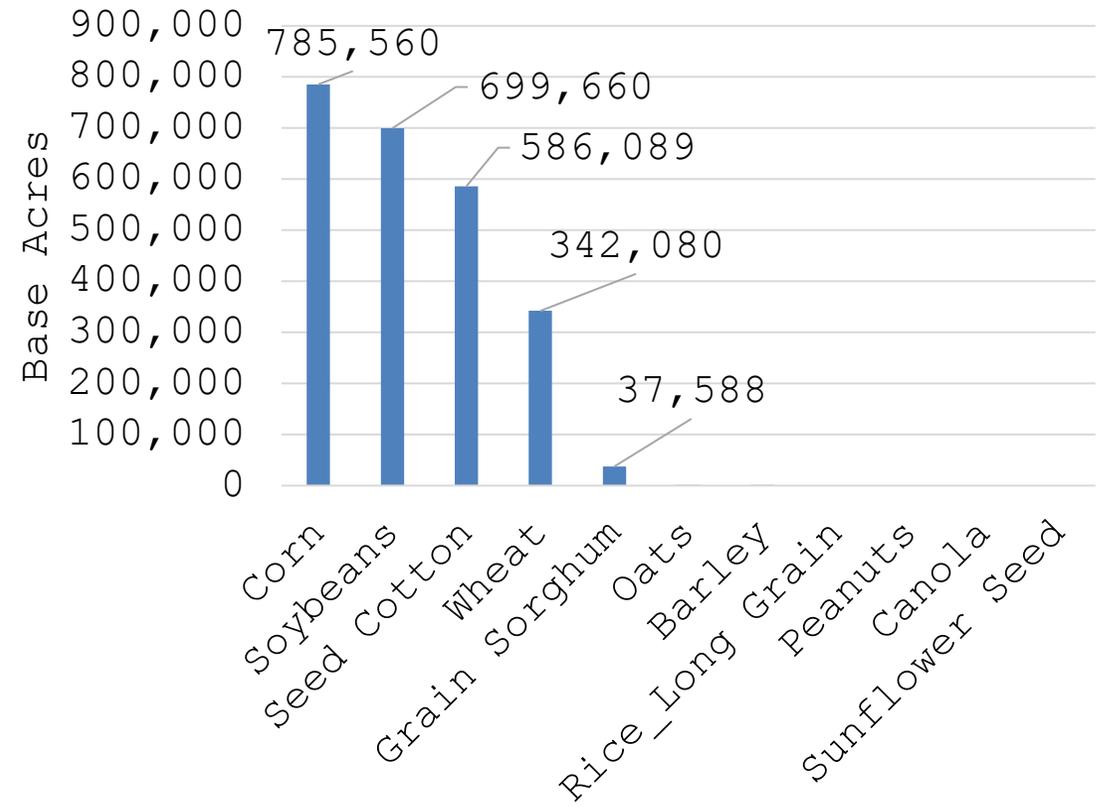
Cotton Cost of Production, Financial Risk, and Marketing

Cost	Cost per Acre	<u>Expected Price</u> \$0.69	<u>Time Expense is Incurred</u>			<u>lbs Marketed to Cover Expense</u>		
			Dec-Apr	May-Aug	Sept-Nov	Dec-Apr	May-Aug	Sept-Nov
		<u># of lbs to Cover Expense</u>						
Operating costs								
Seed	\$145	210	100%	0%	0%	210	0	0
Fertilizer	\$125	181	33%	67%	0%	60	121	0
Chemicals	\$160	232	25%	75%	0%	58	174	0
Machinery Operating	\$95	138	20%	30%	50%	28	41	69
Interest on operating capital	\$23	33	33%	33%	34%	11	11	11
Total, operating costs	\$548	794	-	-	-	367	347	80
Allocated overhead								
Labor	\$50	72	25%	25%	50%	18	18	36
Capital recovery machinery, equipment, etc	\$175	254	0%	0%	100%	0	0	254
Land (rental rate)	\$180	261	50%	0%	50%	131	0	131
Taxes and insurance	\$22	32	100%	0%	0%	32	0	0
General farm overhead	\$27	39	33%	33%	34%	13	13	13
Other	\$0	0	33%	33%	34%	0	0	0
Total, allocated costs	\$454	658	-	-	-	194	31	434
Total, costs listed	\$1,002	1,452	-	-	-	561	378	514
			Target % of Crop to be Marketed			39%	26%	35%
<u>Acres</u>	<u>Total Cost</u>					Dec-Apr	May-Aug	Sept-Nov
2,500	\$2,505,000					1,402,500	945,000	1,285,000

Take Home

- Low prices, high inputs, and negative profit margins are likely to persist in 2026.
 - Low cost per unit of production is essential
- Tennessee projected planted acres 179,000 (NCC)
 - 8.829 million acres of upland nationally
- Trade remains a wild card and will influence both costs and revenues.
- Additional ad hoc payments and elevated safety net.
 - Current 2025 projected PLC payment rate \$0.0908/lb ~ \$125/acre.

Tennessee ARC & PLC Enrolled Base, 2025



The past wasn't as good as you remember.
The present isn't as bad as you think.
The future will be better than you anticipate.

Morgan Housel, The Psychology of Money

Aaron Smith, Professor and Extension Economist
Department of Agricultural and Resource Economics
University of Tennessee Institute of Agriculture
Email: aaron.smith@utk.edu
Web Page: <https://cropeconomics.tennessee.edu>

THANK YOU

