

COTTON ECONOMIC REVIEW

Prepared by Economic Services

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2017 COTTON ACREAGE

In its June acreage report, USDA estimated 2017-18 U.S. cotton plantings at 12.06 million acres, up 19.7% from 2016 (Exhibit 1). Upland planted area is estimated to have increased 19.5% to 11.80 million acres. ELS cotton producers planted 252,000 acres, up 29.6%. USDA's June projection is down 178,000 acres from their initial 2017 estimate released in March.

Exhibit 1

2017 U.S. COTTON AREA

	2016 Actual (Thou.) 1/	2017 Estimated (Thou.) 1/	Percent Change
SOUTHEAST	2,171	2,565	18.1%
Alabama	345	450	30.4%
Florida	103	90	-12.6%
Georgia	1,180	1,350	14.4%
N. Carolina	280	360	28.6%
S. Carolina	190	240	26.3%
Virginia	73	75	2.7%
MID-SOUTH	1,490	1,810	21.5%
Arkansas	380	440	15.8%
Louisiana	140	200	42.9%
Mississippi	435	550	26.4%
Missouri	280	300	7.1%
Tennessee	255	320	25.5%
SOUTHWEST	5,987	7,126	19.0%
Kansas	32	56	75.0%
Oklahoma	305	470	54.1%
Texas	5,650	6,600	16.8%
WEST	230	302	31.3%
Arizona	120	165	37.5%
California	63	81	28.6%
New Mexico	47	56	19.1%
TOTAL UPLAND	9,878	11,803	19.5%
TOTAL ELS	195	252	29.6%
Arizona	15	15	3.4%
California	155	215	38.7%
New Mexico	8	5	-37.5%
Texas	17	17	0.0%
ALL COTTON	10,073	12,055	19.7%

1/ USDA-NASS

On a regional basis, upland area in the **Southeast** is up 18.1% to 2.57 million acres. The largest gains in planted acres are projected for **Alabama** (30.4%) followed closely by **North Carolina** (28.6%) and **South Carolina** (26.3%). **Georgia** and **Virginia** are expected to see gains in plantings of 14.4% and 2.7%, respectively. Producers intend to plant 90,000 acres of cotton in **Florida**, down 12.6% from the previous year.

Planted acres are expected to climb 21.5% throughout the **Mid-South**. All states in the region are expected to see gains in planted acres with the greatest percentage increase expected for **Louisiana** (42.9%). Producers in **Mississippi** and **Tennessee** intend to plant 550,000 and 320,000 acres, respectively. Planted acres are up 60,000 acres in **Arkansas** to an estimated 440,000 acres while acres in **Missouri** are up 7.1 percent to 300,000.

In the **Southwest**, estimated planted area is up 19.0% to an estimated 7.13 million acres. All states in the region are expected to see an increase in planted acres with the greatest gains estimated for **Kansas** (75.0%). Cotton area for **Texas** is estimated at 6.60 million acres, up 16.8% from the 2016 crop year. Producers in **Oklahoma** are expected to plant 470,000 acres, a 54.1% increase when compared to the previous year.

Estimated upland area in the **West** is up 31.3% to 302,000 acres. Gains in planted acres are expected to be seen in all states with **Arizona** (37.5%) and **California** (28.6%) expected to see the largest gains while producers in **New Mexico** are expected to plant 56,000 acres of cotton in 2017, an increase of 19.1%.

USDA estimates ELS plantings of 252,000 acres, up 29.6% from 2016. Gains are expected to be seen in **California** (38.7%) and **Arizona** (3.4%) while producers in **Texas** are expected to plant 17,000 acres of ELS, unchanged from 2016. **New Mexico** is down 37.5 percent from 2016 with an estimate of 5,000 planted acres.

CROP PROGRESS

According to USDA, 61% of the U.S. crop had squared as of July 9th, ahead of last year's pace (55%) and the 5-year average (60%) (Exhibit 2). Crop development was most advanced in the **Mid-South** region. **Arkansas** leads all states with 96% of their crop having squared as of July 9th. In the **Southeast**, **Georgia**, **North Carolina**, and **Virginia** lead the region with 69% of crop having reached the squaring stage. In the **Southwest**, **Texas** leads all states in the region with 55% of their crop having reached the squaring stage as of July 9th. In the **West**, 82% of the **Arizona** crop had reached the squaring stage while the **California** crop was behind that pace with 50% of their crop having reached the squaring stage.

Nationwide, 19% of the crop had set bolls as of July 9th, 1 percentage point ahead of last year's pace and 2 percentage points ahead of the 5-year average. In the **Mid-South**, only **Louisiana** and **Missouri** are ahead of last year's pace and their 5-year averages in terms of having set bolls. In

the **Southeast**, only **South Carolina** is ahead of last year and their 5-year average in terms of having set bolls. **Texas** leads all states in the **Southwest** region with 18% of their crop having set bolls as of July 9th. **California** is ahead of last year's pace but behind their 5-year average with 5% of their crop having set bolls at the time of this report while **Arizona** is ahead of last year's pace (39%) and their 5-year average (38%) with 40% of their crop having set bolls as of July 9th.

Exhibit 2

WEEKLY COTTON CROP PROGRESS

STATE	7/9/2017	7/2/2017	7/9/2016	Avg.*
(% Squaring)				
Alabama	66	55	83	80
Arizona	82	75	84	83
Arkansas	96	93	97	98
California	50	45	83	85
Georgia	69	57	79	75
Kansas	18	9	32	33
Louisiana	93	85	84	88
Mississippi	66	53	74	80
Missouri	68	55	75	62
North Carolina	69	53	64	70
Oklahoma	45	40	28	32
South Carolina	57	45	57	57
Tennessee	76	54	71	63
Texas	55	35	41	48
Virginia	69	57	57	65
U.S. Average	61	45	55	60

Source: USDA-NASS.

* 5-year Average

STATE	7/9/2017	7/2/2017	7/9/2016	Avg.*
(% Setting Bolls)				
Alabama	21	10	35	22
Arizona	40	30	39	38
Arkansas	50	27	60	40
California	5	3	0	29
Georgia	20	8	31	30
Kansas	0	0	4	3
Louisiana	54	31	42	41
Mississippi	22	10	30	27
Missouri	9	3	6	5
North Carolina	7	2	11	11
Oklahoma	0	0	7	8
South Carolina	17	3	10	15
Tennessee	11	9	15	11
Texas	18	15	12	12
Virginia	4	2	4	4
U.S. Average	19	13	18	17

Source: USDA-NASS.

* 5-year Average

Crop condition is slightly behind where it was at this time last year with 88% of the crop rated fair or better compared to 89% of last year's crop (Exhibit 3). **South Carolina** and **Virginia** lead the way in terms of crop condition in the **Southeast** with 100% of their crop rated fair or better. In the **Mid-South**, **Arkansas** leads the region with 97% of their crop rated fair or better as of July 9th. In the **Southwest**, 95% of the **Kansas** crop is rated fair or better while 100% of the **Oklahoma** crop is rated fair or better. The **Texas** crop is slightly behind in terms of crop condition with 83% of their crop rated fair or better on July 9th. In the **West**, **California**

has 100% of their crop rated fair or better as of July 9th while **Arizona** has 98% of their crop rated fair or better.

Exhibit 3

CROP CONDITION

(AS OF JULY 9)

STATE	V. Poor	Poor	Fair	Good	Excel.
(Percent)					
Alabama	1	9	39	48	3
Arizona	0	2	11	67	20
Arkansas	0	3	12	49	36
California	0	0	0	30	70
Georgia	1	5	23	56	15
Kansas	1	4	19	65	11
Louisiana	0	4	22	66	8
Mississippi	0	11	27	47	15
Missouri	0	8	30	54	8
North Carolina	0	3	21	61	15
Oklahoma	0	0	15	84	1
South Carolina	0	0	12	47	41
Tennessee	2	2	7	61	28
Texas	6	11	32	39	12
Virginia	0	0	16	82	2
U.S. Average	4	8	27	47	14
Previous Year	1	10	35	45	9

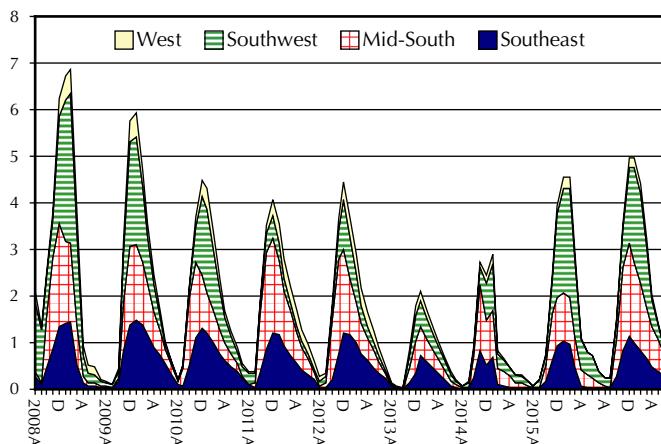
Source: USDA-NASS

CCC LOAN

Outstanding CCC loan stocks of upland cotton as of June 30 were 846,655 running bales, a decline of 554,618 bales from the previous month (Exhibit 4). Redemptions were largest in the **Mid-South** with outstanding loan stocks declining by 236,467 bales to 454,547 or 54% of the outstanding total. Loan redemptions in the **Southeast** were 114,246 bales, leaving outstanding loans at 262,665 bales, 31% of the total. In the **Southwest**, redemptions were 189,457 bales. Outstanding loans in the region now total 97,117 bales, accounting for 11% of the outstanding loans remaining. Stocks in the **West** decreased by 14,448 bales, placing outstanding loans at 32,326 bales. The region accounts for 4% of the outstanding loan total. Of the outstanding loan stocks, Form A (producer) accounted for 11% while Form G (cooperative) accounted for the remaining 89%.

Exhibit 4

CCC LOAN



FORWARD CONTRACTING

USDA estimates that, as of July 1, 8% of U.S. upland cotton acreage had been forward contracted (Exhibit 5), higher than last year's level of 2%. In the **Southeast**, USDA estimates that 13% of the acreage is forward contracted. All states in the region, with the exception of **Florida**, show an increase in bookings as compared to the previous year. The largest increases were in **Georgia** and **Virginia**. **Georgia** had contracted 17% of their 2017 crop as of July 1, while **Virginia** had contracted 18% of its crop.

Exhibit 5

FORWARD CONTRACTING OF UPLAND COTTON

AS OF JULY 1

STATE	(Percent)			
	2014	2015	2016	2017
SOUTHEAST	11	4	3	13
Alabama	3	6	3	6
Florida	*	7	5	4
Georgia	11	2	3	17
North Carolina	16	6	3	7
South Carolina	25	4	2	7
Virginia	17	9	6	18
MID-SOUTH	9	2	7	10
Arkansas	9	4	8	11
Louisiana	10	2	31	35
Mississippi	7	1	3	7
Missouri	9	*	1	4
Tennessee	9	3	3	7
SOUTHWEST	4	1	*	6
Oklahoma 1/	1	1	-	1
Texas	4	1	*	7
WEST	*	1	1	4
Arizona	*	2	2	7
California	-	-	-	-
New Mexico	-	-	-	-
TOTAL UPLAND	6	1	2	8

Source: USDA-AMS

1/ Includes Kansas.

* Less than .5 percent.

Contracting in the **Mid-South** is estimated at 10%, up from 7% the previous year. All states in the region show an increase in bookings as compared to the previous year.

As of July 1, the **Southwest** had 6% of their 2017 crop contracted, higher than the previous year. The largest increase was in **Texas**, which had 7% of their crop contracted as of July 1. As of July 1, the **West** had 4% of their 2017 crop contracted.

FARM PRICE

The May 2017 upland cotton farm price was 69.20 cents/lb. according to USDA, up 0.30 cents from April (Exhibit 6). In comparison, the May 2016 upland cotton farm price was 63.20 cents/lb. Marketings for the month were 273,000 running bales, bringing the crop year 2016 total to 12.4 million. The marketing-weighted crop year average farm price through May 2017 is 67.62 cents/lb.

Exhibit 6

FARM PRICES FOR UPLAND COTTON

MARKETING YEAR 2016 - 17

	(Weighted by Marketings)		Prices	
	Marketings (Thousand Running Bales)	MONTHLY	CUMULATIVE	(Cents/Lb)
	MONTHLY	WEIGHTED	MONTHLY	WEIGHTED
August	305	305	67.10	67.10
September	432	737	67.00	67.04
October	753	1,490	65.90	66.46
November	2,283	3,773	67.10	66.85
December	1,926	5,699	67.60	67.10
January	2,826	8,525	67.10	67.10
February	1,579	10,104	68.60	67.34
March	1,244	11,348	68.80	67.50
April	767	12,115	68.90	67.59
May	273	12,388	69.20	67.62

Source: USDA-NASS.

MARKETING-YEAR AVERAGE FARM PRICE (CENTS/LB)

2016-17	68.00
2017-18 Proj.	54.00 - 68.00

Source: USDA-WAOB July Report.

This month's *World Agricultural Supply and Demand Estimates* (WASDE) report forecasted the average price received by farmers for U.S. upland cotton for 2016/17 at 68.00 cents/lb. The forecast for 2017/18 was a range of 54.00 – 68.00 cents/lb.

COMPETITIVENESS

World and U.S. cotton prices increased slightly over the past several weeks. Since the week ending June 22, the average of the 5 lowest Far East quotes increased 0.73 cents/lb. to 82.76 cents for the week ending July 6 (Exhibit 7). The low U.S. quote for the Far East (USFE) increased 0.65 cents/lb. over the same period taking a value of 82.25 cents for the week ending July 6. For the week ending July 13, the AWP will be valued at 65.33 cents/lb. for a corresponding marketing loan gain of 0.00 cents/lb.

Exhibit 7

COMPETITIVENESS

	Week Ending			
	7/13/17	7/6/17	6/29/17	6/22/17
(Cents/Lb.)				
U.S. FE Low Quote	--	82.25	81.55	81.60
5 Lowest FE Quotes	--	82.76	82.22	82.03
Adjusted World Price	65.33	64.79	64.60	67.31
Marketing Loan Gain	0.00	0.00	0.00	0.00
Fine Count Adj. ('16 Crop)	0.00	0.00	0.00	0.00
Fine Count Adj. ('17 Crop)	0.00	0.00	0.00	0.06
ELS Comp Pymnt	0.00	0.00	0.00	0.00
(Bales)				
Import Quotas Open	628,269	628,269	628,269	628,269

For qualities better than 31-3-35, the Fine Count Adjustment can further reduce the AWP to reflect differences between premiums in the U.S. market and international markets. For the week ending July 13, the Fine Count Adjustment is 0.00 cents/lb. for the 2016 crop and 0.00 cents/lb. for the 2017 crop.

ELS competitiveness payments are provided whenever, for 4 consecutive weeks, the lowest Friday through Thursday average adjusted price quotation for foreign growths (LFQ) is less than the Friday through Thursday average price quotation for U.S. Pima cotton, CFR Far East (USPFE); and the adjusted LFQ is less than 134 percent of the current crop year loan level for ELS cotton grade 2, staple 46, micronaire 3.5 or higher, strength 37.5 grams per tex and above (81.10 cents per pound). For the week ending July 13, the ELS competitiveness payment is 0.00 cents/lb.

When the Friday through Thursday weekly average U.S. Far East price exceeds the prevailing world market price for any 4 consecutive weeks, a special import quota is triggered. Each quota is equal to one week of cotton mill use by domestic mills based on the seasonally adjusted data for the most recent 3 months' for which data are available. To enter under the quota, cotton must be purchased not later than 90 days, and entered into the U.S. not later than 180 days, from the date the quota is announced. For the week ending July 13, there are 10 quotas opened in the total amount of 628,269 bales (480-lbs.).

EXPORTS

Through the week ending June 29, total U.S. raw cotton exports for the 2016-17 marketing year were 13.6 million bales (Exhibit 8). With approximately one month remaining in the marketing year, weekly shipments must average roughly 224,500 bales to reach the USDA projection of 14.5 million bales. Total sales through June 29 were 15.6 million, roughly 5.9 million bales higher than the previous year. New crop (2017-18) commitments through June 29 were 4.7 million bales, approximately 2.7 bales higher than the previous year.

Exhibit 8

EXPORT SUMMARY

THROUGH WEEK ENDING JUNE 29, 2017

	(Thousand 480-lb. Bales)	
	MY16	MY15
Outstanding Sales	2,042	1,399
Shipments	13,602	8,304
Total Sales	15,644	9,703
New Crop Sales	4,704	2,053

Source: USDA-FAS.

U.S. SUPPLY & OFFTAKE

In its July report, USDA projects U.S. 2017-18 production to be 19.00 million bales, 200,000 bales lower than the previous month due to lower planted area indicated in the June 30 Acreage report combined with slightly less favorable assumptions concerning abandonment (Exhibit 9). Mill use is projected at 3.40 million bales, unchanged from last month, while exports are projected at 13.50 million bales, also unchanged from last month. The estimated total offtake stands at 16.90 million bales. With beginning stocks of 3.20 million bales, this would result in U.S. ending stocks of 5.30 million bales on July 31, 2018, and a stocks-to-use ratio of 31.4%.

Exhibit 9

U.S. COTTON SUPPLY/OFFTAKE

	(Thousand 480-Lb. Bales)	
	2016-17e	2017-18p
Beginning Stocks	3,800	3,200
Production	17,170	19,000
Imports	10	10
Supply	20,980	22,210
Domestic Mill Use	3,300	3,400
Exports	14,500	13,500
Offtake	17,800	16,900
Unaccounted For	-20	10
Ending Stocks	3,200	5,300
Stocks-to-Use Ratio	18.0%	31.4%

Source: USDA-WAOB July Report.

e=USDA estimate, p=USDA projection

For the 2016-17 marketing year, USDA gauges U.S. cotton production at 17.17 million bales, unchanged from the previous month. Exports and mill use were unchanged from the previous month at 14.50 million and 3.30 million bales, respectively. The estimated total offtake now stands at 17.80 million bales, generating ending stocks of 3.20 million bales and a stocks-to-use ratio of 18.0%.

WORLD SUPPLY & OFFTAKE

In USDA's July report, USDA projects world production for the 2017-18 marketing year at 115.36 million bales, 630,000 bales higher than the previous month (Exhibit 10). Mill use is estimated at 117.03 million bales, 520,000 bales higher than the previous month. With beginning stocks at 90.27 million bales, this would result in world stocks of 88.73 million bales on July 31, 2018, and a stocks-to-use ratio of 75.8%.

Exhibit 10

WORLD COTTON SUPPLY/OFFTAKE

	(Thousand 480-Pound Bales)	
	2016-17e	2017-18p
Beginning Stocks	97,170	90,270
Production	106,540	115,360
Imports	36,710	36,770
Supply	240,420	242,400
Mill Use	113,770	117,030
Exports	36,560	36,810
Offtake	150,330	153,840
Unaccounted For	-180	-160
Ending Stocks	90,270	88,730
Stocks-to-Use Ratio	79.3%	75.8%

Source: USDA-WAOB July Report.

e=USDA estimate, p=USDA projection

For the 2016-17 marketing year, world production was estimated to be 106.54 million bales, up 550,000 bales from the June report. World mill use was raised 200,000 bales to 113.77 million bales. Consequently, world ending stocks are estimated to be 90.27 million bales with a stocks-to-use ratio of 79.3%.

2016-17 WORLD COTTON SUPPLY & OFFTAKE

(MILLION 480-LB. BALES)

	Beg Stocks	Production	Imports	Supply	Mill Use	Exports	End Stocks	Stocks/Use
World	97.2	106.5	36.7	240.4	113.8	36.6	90.3	79.3%
U.S.	3.8	17.2	0.0	21.0	3.3	14.5	3.2	18.0%
China	58.2	22.8	5.0	86.0	37.5	0.1	48.4	128.9%
Pakistan	2.6	7.7	2.6	12.9	10.3	0.2	2.4	22.8%
India	10.9	27.0	2.6	40.5	24.0	4.3	12.2	43.3%
Central Asia	2.1	5.9	0.0	8.0	2.6	3.0	2.5	44.7%
Australia	1.9	4.4	0.0	6.3	0.0	3.4	3.1	88.7%
Brazil	6.3	6.8	0.2	13.3	3.2	2.8	7.4	123.3%
Indonesia	0.5	0.0	3.2	3.7	3.1	0.0	0.6	20.3%
Mexico	0.6	0.8	1.0	2.4	1.8	0.2	0.4	23.2%
Turkey	1.6	3.2	3.2	8.0	6.2	0.3	1.5	22.2%
Vietnam	0.8	0.0	5.6	6.4	5.4	0.0	1.0	18.1%

2017-18 WORLD COTTON SUPPLY & OFFTAKE

(MILLION 480-LB. BALES)

	Beg Stocks	Production	Imports	Supply	Mill Use	Exports	End Stocks	Stocks/Use
World	90.3	115.4	36.8	242.4	117.0	36.8	88.7	75.8%
U.S.	3.2	19.0	0.0	22.2	3.4	13.5	5.3	31.4%
China	48.4	24.0	5.0	77.4	38.0	0.1	39.4	103.4%
Pakistan	2.4	9.2	2.2	13.7	10.6	0.4	2.7	24.7%
India	12.2	29.0	1.4	42.6	24.8	4.2	13.7	47.3%
Central Asia	2.5	6.2	0.0	8.7	2.7	3.1	3.0	51.9%
Australia	3.1	4.8	0.0	7.9	0.0	4.3	3.7	86.5%
Brazil	7.4	7.0	0.1	14.5	3.3	3.1	8.3	128.9%
Indonesia	0.6	0.0	3.2	3.8	3.2	0.0	0.6	19.6%
Mexico	0.4	1.2	0.9	2.5	1.8	0.2	0.5	27.7%
Turkey	1.5	3.8	3.4	8.7	6.6	0.4	1.8	25.4%
Vietnam	1.0	0.0	6.1	7.1	5.9	0.0	1.2	20.2%

Source: USDA-WAOB July Report.

This publication includes the latest information as of July 12, 2017. Data released later are available from the NCC home page at www.cotton.org. This publication is also available on the NCC home page in the Members Only section. Unless otherwise noted, all bale references pertain to statistical (480-lb.) bales.