

Cotton outlook bearish on higher output, low offtake

DAMPENED HOPES. The natural fibre's prices will likely rule below 73 US cents/lb in the 2024-25 season as it faces competition from man-made fibres

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The outlook for the global cotton market is bearish on hopes of higher production in key producing regions and fears of a drop in consumption, analysts have said.

"We believe that positive outlooks for harvests in large producing markets for 2024-25, coupled with downbeat expectations for consumption, will maintain a cap on prices," said research agency BMI, a unit of Fitch Solutions.

The International Cotton Advisory Council (ICAC) said in a statement that cotton farmers in both the Northern and Southern Hemispheres are currently facing a daunting task — how to make critical plant-

ing decisions during a time of extreme uncertainty.

US IMPORTS HALVE

Pointing to the ICAC's World Textile Demand Report 2024, which said cotton's market share in global fibre consumption has dropped below 25 per cent, the US Department of Agriculture (USDA) said this limited the potential growth for cotton product imports, despite record consumer demand for apparel and home textiles.

"Competition with MMF (man-made fibres) is especially challenging with respect to Chinese MMF exports."

"US cotton product imports from China have nearly halved since peaking in 2010, while MMF product imports have risen more than 30 per cent dur-



IN FULL BLOOM. According to forecasts by ICAC, yields will increase by 5.4 per cent year-on-year in 2024-25

ing the same period," it said. For the 2024-25 season, the USDA has raised the cotton production estimate by 5,00,000 bales (226.8 kg) to 121 million bales.

This is because of a 7,50,000-bale increase in

China more than offsetting reductions for Pakistan and Argentina.

6.3% PRODUCTION RISE

BMI said it is forecasting year-on-year higher global cotton production in 2024-

25 by 6.3 per cent from 113.2 million bales to 120.3 million bales, driven by higher productivity in a series of key markets.

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"We expect abundant harvests in China, Brazil and the US, which we expect will post year-on-year increases of 13.3 per cent, 15.3 per cent and 17.6 per cent respectively. We believe this will result in a market surplus of 4.5 million bales in 2024/25," said BMI.

COTLOOK A INDEX

The research agency said it lowered its 2025 cotton price forecast for ICE-listed second-month cotton futures from an annual average of 80 US cents a pound to 72.2 cents.

The USDA lowered the US season-average farm price for 2024-25 to 63 cents.

ICAC has forecast the season-average Cotlook A index for 2024-25 between 92 cents and 97 cents, with a midpoint at 94 cents per pound.

Currently, the Cotlook A Index is at 79.25. May cotton futures on the Inter-Continental Exchange, New York, are currently ruling at 66.62 cents.

ICAC said growers particularly in the US, India and China face a complex set of factors influencing their cotton planting decisions.

"Climate variability and water availability play a crucial role, as increasing unpredictability in weather patterns — including prolonged droughts, and ex-

cessive rainfall — necessitate a reliance on advanced climate models to determine optimal planting windows," it said.

BMI said average monthly prices had decreased for three consecutive months between November 2024 and January 2025.

"The market continues to exhibit bearish sentiment, with the latest data from the US CFTC Commitment of Traders Report indicating that the net position held on February 11, 2025, was a short position of 60,481 contracts," it said, adding that it was the largest net short position since June 2024.

However, the USDA said CFTC data show the net long (buy) position for both non-commercial and index participants (as of March 4, 2025) falling.