COTTON OUTLOOK

NEWS • DATA • ANALYSIS

ACSA

Centennial Convention

LDC.
Louis Dreyfus Company

Global Expertise, Local Service

Louis Dreyfus Company is a leading merchant and processor of agricultural goods.

As global leaders in cotton merchandizing, we source from all major producing countries and serve all key consumer markets globally.

Our teams are on call around the clock, thanks to our trading offices and strategic relationships around the world.

We leverage our global reach and extensive network of logistic assets to deliver for customers around the world – safely, reliably and responsibly.

For more information, visit www.ldc.com

Main Offices

Louis Dreyfus Company Cotton LLC
(DBA – Allenberg Cotton Co.)
Cordova, Tennessee, US
T. +1 901 383 5000

Louis Dreyfus Company Cotton LLC
(DBA – Allenberg Cotton Co.)
Fresno, California, US
T. +1 559 485-0836

Louis Dreyfus Company Cotton LLC
(DBA – Allenberg Cotton Co.)
Lubbock, Texas, US
T. +1 806 747 7836

Louis Dreyfus Company Suisse S.A.
Geneva, Switzerland
T. +41 58 688 2700

LDC Tarim Ürünleri Ticaret Limited Sirketi
Istanbul, Turkey
T. + 90 212 296 60 55

Louis Dreyfus Company Brasil S.A.
São Paulo, Brazil
T. +55 11 3039 6700

LDC Argentina S.A.
Buenos Aires, Argentina
T. +54 11 4324 6900

LDC (China) Trading Company Limited
Beijing, P.R. China
T. +86 10 5869 3666

Louis Dreyfus Company Asia Pte Ltd
Singapore
T. +65 6735 9700

Louis Dreyfus Company India Pte Ltd
Haryana, India
T. +91 124 462 5600

Louis Dreyfus Company Pakistan (PVT) Ltd
Karachi, Pakistan
T. +92 343 207 4145

LDC Enterprises Pty Ltd
Brisbane, Australia
T. +61 7 3253 5999

YOUR TRUSTED PARTNER SINCE 1851

Want to know more?

Cotton Outlook e-weekly and the Cotlook Indices are available to purchase at:
www.cotlook.com/store-2/

General enquiries
Email: editor@cotlook.com
Tel: +44 (0)151 644 6400 (UK office)

Subscriptions
Email: subscriptions@cotlook.com

Sign up for our FREE Cotlook Monthly
(a review of the preceding month's main market developments).

Register to receive our FREE Long Staple market update.

Advertising
Advertise to a world class audience during 2024.
Email: advertising@cotlook.com

www.cotlook.com

Published by : Cotlook Limited,
PO Box 111,Liverpool,L19 2WQ,
United Kingdom.
Tel : 44 (151) 644 6400 E-Mail : editor@cotlook.com
Web : www.cotlook.com

Contents

Advertisers

A message from ACSA Chairman

Welcome to the ACSA Centennial Convention! We are going to have an event for the record books this week. But this is bittersweet for me. I picked this location in honor of my dad, Ernst D. Schroeder, Sr., who had his ACSA Convention here in 1996. Sadly, Dad passed away in December of 2021, as most of you know. So, my family, many of whom are here this week, would like to dedicate our contributions and my service as chairman this year to my dad, who cared deeply about our association.

I am sincerely honored to have had the opportunity to serve as your chairman on this special centennial year. And, I will admit, I felt a lot of pressure to make it count. The ACSA staff and I worked together with significant help from my team at Jess Smith & Sons Cotton, Inc. to plan this year's centennial events, and at times, I wasn't sure if they were going to come together in a way that did justice to recognizing what this group has accomplished over the last one hundred years. But as happens so often, things fell into place perfectly. Our recent New York City event that focused on celebrating the commercial relationships with the exchange was an amazing kickoff, and I know the agenda we have planned this week will create the perfect crescendo to our celebration.

I am proud to report that the state of our association is strong. As chairman, I had the opportunity to have candid discussions with many members throughout the year and appraise the value being delivered by ACSA. I am so pleased to report that there is consensus around the direction in which our association is heading. Our advocacy and influence are unlocking opportunities and breaking down barriers we have faced for years. Our engagement is expanding and should continue. As I represented ACSA in industry forums, I realized ACSA's position is valued and needed. Our staff has developed effective, strong partnerships throughout the industry as we navigate our agenda and deploy our strategy.

We broke many records this year and were recognized by Congress for our contributions to agriculture in an unprecedented way. None of these achievements could happen without the collective investment, support, and commitment of the businesses that belong to and support our association.

We are growing our reach and influence, and the future looks opportune for our team to strengthen our position, which is particularly important as we acknowledge how much policy impacts business in today's environment. From trucking to trading, our association has influence that can create outcomes that change the landscape you are operating in.

As I reflect on my collective observations from the members and staff as chairman this year, several things are clear. Our business is becoming more difficult, and our association is doing good work in developing solutions to problems. We need ACSA as much today as we ever have and are well-positioned to strengthen our position moving forward. Based on this, I challenge my colleagues in attendance to engage and support ACSA and, most importantly, join the efforts to grow COTCO, our association's political action committee, the instrument that truly weaponizes our ideas.

Many thanks to all of my cotton friends and family for all of the support this year.

With regards,

Ernst D. Schroeder, Jr.

A message from ACSA President Buddy Allen

Welcome to Scottsdale and the ACSA Centennial Convention! We are so honored and grateful for the unprecedented support our members and colleagues have contributed to this event and our association throughout this year's centennial celebrations.

We have an outstanding group of friends and leaders coming together to celebrate this momentous occasion, and we anticipate a very memorable event. Our goal is to have a content-rich program that affords plenty of commercial opportunities, strengthening our bonds to work together. By focusing on our mutual interests to protect the key elements of our industry we can influence through our advocacy and collective voice. We see our bandwidth expanding as we lock arms with supply chain partners and forge new alliances with global reach.

Our association is growing in engagement and achievement as our team works to leverage the strong leadership and subject matter expertise of our members. As we expect, that starts with our chairman, and this year, Chairman Ernie Schroeder, Jr.'s work was exemplary. I want to personally acknowledge and thank Chairman Schroeder for his devotion to making this year and this event outstanding. Chairman Schroeder works for ACSA every day. The contributions that he has provided personally, from his business and his family, are legacy-worthy. The Schroeder family's contributions and leadership personify so many of the intangible attributes of our association. It has been an honor to work with Chairman Schroeder this year, and I will be forever grateful for his commitment to ACSA.

Celebrating one hundred years of providing liquidity, risk management, and logistical services creates a moment to reflect on the iconic leaders and companies who have shaped the trade and persevered through incredible macroeconomic events. We have evolved from an industry model built on streamlined domestic consumption to a global export industry, handling the most granular inventory management mandate in agriculture. Now, we realize the honeymoon is over concerning the United States having the most robust and acute concentration of high-quality, contamination-free cotton available for export worldwide. The collective production from Brazil, Australia, and the United States has exponentially surpassed post-COVID-19 demand, and we find the U.S. industry in a true battle to extract enough value for producers to surpass current inflationary impacts on production costs. Meanwhile, we are adapting to a new normal in agriculture, where energy and agricultural markets are converging, land use alternatives are increasingly present, and new variables are emerging in risk management and commercial strategy. While the comparative fundamentals of these markets are discouraging, our domestic consumption of finished goods is enormous compared to our competitors and creates unique opportunities to be leveraged, underpinning our industry with strength.

Clearly, we have the mandate to exploit every inefficiency in our supply chain, modernize, and innovate with creativity and vigor to establish the necessary competitiveness the U.S. cotton industry has enjoyed historically and is required to meet more so each year. No one is more equipped to drive our industry to success than the local, regional, national, and global agribusinesses who associate and utilize their unparalleled comparative and institutional knowledge as members of the American Cotton Shippers Association. It is with true humility and honor that I approach the opportunity to serve as your collective voice and deliver your message.

Thank you,

President and CEO
William H. "Buddy" Allen,
President and CEO, ACSA

National Affairs Committee

It has been my honor to serve as the Chairman of ACSA's National Affairs Committee this year and from that vantage point I can testify our association has a robust agenda in Washington, as you would expect during an active farm bill debate. Both our influence and engagement have been tremendous, and I am certain this is a derivative of our political action committee's growing strength.

Congress is currently considering multiple paths for how it will approach reauthorizing or extending the 2018 Farm Bill, which has been operating under an extension since November 15, 2023. The current law is set to expire this September. While the political climate suggests another extension is likely, the U.S. cotton industry needs a more robust safety net sooner rather than later.

As of mid-May, the public has just gotten color on both the House and the Senate's initial versions of the farm bill, neither of which have been marked up by their respective committees. It is clear there is a significant divergence in cotton's opportunities in these differing legislative packages, and the divide is partisan. Republicans in the House, who enjoy the majority, and their minority colleagues in the Senate are aligned and have incorporated the majority of the U.S. cotton industry's objectives in their leadership's collective marks, which create significant new opportunities for cotton. While House Democrats also seem to be amenable to a safety net-focused package, the strong agenda from Senate Agriculture Committee Chairwoman Debbie Stabenow, who is more focused on nutrition and climate, has sequestered their ability to create early bipartisanship.

ACSA supports our industry's key objectives for the farm bill. Increasing loan rates and reference prices to ensure an adequate safety net for growers is our first responsibility. In the meantime, ACSA has put forward innovative suggestions to modernize the existing Marketing Assistance Loan. To add value for growers, we have suggested a change in the Adjusted World Price (AWP) calculation that would utilize the lowest three quotes rather than the lowest five quotes to better reflect the competitive landscape and the concentration of competition that U.S. cotton faces. Also, a period of flexibility in redeeming loans early in the season will put more bales into marketing channels, protecting

U.S. market share and limiting CCC's exposure to loan costs. Finally, bringing storage credits more in line with current storage rates will add value to loan bales and assist growers with carry costs in a low-price environment. Congress must develop mechanisms to redeem cotton efficiently from the loan to move it in a more orderly way into the market. We continue to advocate for several ways to address this issue so that the farm bill addresses the cash flow needs of producers, while also improving the critical marketing and flow aspects of the loan program. Additionally, we are focused on standing up these opportunities for extra-long staple (ELS) producers. ELS cotton is currently the only covered commodity in Title I not protected by the Marketing Assistance Loan Program.

Alongside our farm bill objectives, ACSA has advocated on several items we believe will have significant impacts on our membership. We have been strong supporters of Congressional efforts to address the flaws seen during the COVID-19 supply chain crisis. While these strains have eased since the height of the pandemic, the underlying weaknesses and inefficiencies in our supply chains remain, waiting for the next crisis. The Ocean Shipping Reform Act was a positive first step towards addressing these challenges, ACSA has been advocating for further legislation to strengthen and clarify the Federal Maritime Commission's authority to address supply chain imbalances and malign actors. Agricultural exporters cannot be sidelined in future crises as they were during the pandemic.

Another issue that has had an impact on all ag commodities over the last few years has been the implementation of the Inflation Reduction Act. This bill includes several provisions for increased funding for climate-related programs to be distributed by the USDA, as well as tax incentives for renewable fuels that will have an impact on any commodity that might be used as a feedstock for such fuel. These tax credits in particular have garnered a large amount of attention from the industry as the Biden administration, chiefly the Department of the Treasury, works to release guidance for how these tax credits will be measured and distributed.

These credits will continue to be a major focus of Congress in coming years, as many are set to expire in 2027. Large chunks of the Tax Cuts and Jobs Act, the tax package passed by former President Trump, are set to expire at the end of 2025, and Republicans will need to find some bipartisanship to make any extensions. Inflation Reduction Act tax credits will almost certainly be a top priority for Democrats as these negotiations take place.

We continue to anchor our advocacy around ensuring our market is well-functioning and properly equipped with risk management tools and liquidity. Our engagement from the congressional committees of jurisdiction, through the Commodity Futures Trading Commission, to the Intercontinental Exchange is stronger than ever.

There has never been a time where policy has influenced our business models and markets more than today, and we have never had a more prominent seat at the table to make impacts that support our customers and the competitiveness of the U.S. cotton industry. We have work to do to deliver a modernized farm program that reconciles the producer's safety net to current production costs and actively addresses our industry's needs to be more competitive in the global marketplace. This is a moment for the U.S. cotton industry where thought leaders need to innovate and produce bold solutions.

Jeff Johnson,
Chairman, National Affairs Committee

Gin and Warehouse Committee

Over the past year, ACSA has been focused on creating and implementing policy with a goal of keeping U.S. cotton competitive in the global marketplace. One particular area that I am proud of is ACSA's collaboration with parts of the broader industry to develop and implement a warehouse shipping availability tool, known as cottonshipping.com. And while the first stage has been a success for merchants subscribing to the tool, this is just the first step with more to come. The next phase will focus on creating a direct process for our trucking partners to provide real-time data to participating warehouse on the status of the inbound trucks, bringing more visibility to warehouses, who are focused on creating efficiencies for their own operations. This is just one example on how ACSA is working directly with the industry warehousing segment and with our trucking partners to improve the flow of cotton.

Our new tool is great – however, there is much more to do and address. ACSA believes it is imperative that we continue to find ways to work more closely with our partners in the warehousing industry segment, which is reflected in recently proposed policy being considered by our membership this week. It is necessary to find better methods of shipping cotton from the U.S., as our global competition is strong and has found better ways to accommodate the needs of their export customers. This is not just a warehouse problem or a merchant-shipper problem. This is a U.S. industry problem and will require a united effort by our industry to solve. Urgent action and attention are needed from U.S. stakeholders and our partners, as we shift from a model developed to focus on the U.S. domestic industry to a market focused on exporting abroad. The industry has not evolved in a way to support cost-effective export shipping. Instead, we have developed processes and procedures to mitigate some of the current issues. This is our call to action – how we handle this will determine how competitive the U.S. industry will be in the future.

Krista Rickman,
Commercial Strategic Lead Chairperson
of ACSA's Gins, Warehouses, and
Domestic Trade Committee.

To stay competitive, we need a change

First, I want to take this opportunity to congratulate Ernie Schroeder Jr. on his outstanding leadership during this centennial year as Chairman of the American Cotton Shippers Association. We all appreciate everything he has accomplished on our behalf. He has served our membership very well.

ACSA members are survivors. We are survivors of one of the toughest places on earth, the marketplace. We put our money, our reputation, our well-being on the line every day in the face of tremendous odds. I applaud your courage, your tenacity, your dedication, and your commitment to cotton. Today, our entire cotton chain is being tested. It is evident that in cotton, as with any other basic raw material, the dependability of a timely shipment is of essence. US cotton is a brand, and everyone wants it but, at the same time, we are losing market share. Why? Simply put, it is because other countries, such as Brazil, Australia and others are doing a much better job getting their cotton shipped more efficiently to our valued customers. We can't afford to lose more of our market share because of our late shipments. There are some warehouses that are giving really good service and load out dates. However, there are still many giving unreasonable load out dates. A reversal in cotton's market share losses cannot be expected until changes are made.

What are warehouse performance solutions? What should be the minimum shipping standard? 4.5% as it is currently or maybe 7%, 10%, or should we stop the minimum percent model all together and pay a pre-determined fee up front for lost storage and faster load out dates? Is there an idea that has not been developed yet? One thing is for sure, we need a change going forward.

The expedient movement of cotton to our customers is not only an issue of good service, but it is also a financial issue that has an impact on each and every segment of our industry. To stay competitive, we all need to work together to resolve this shipping issue and keep warehouses in business and not out of business. Warehouses need us, we need them, and the grower needs everybody.

The importance of US cotton sales arriving on time at their final destination, whether it is Asia or North Carolina, is important to ACSA members, it is important to the warehouse industry and it is important to the rest of the US Cotton industry in staying competitive on the world stage.

In summary, let's be clear: shipping delays are everyone's problems. We all should work together with NCC, CWAA, CGWA and ACSA to resolve this costly issue. We need a change to bring about a faster movement of cotton for all stakeholders to stay competitive.

Bobby Walton, President
Walcot Trading Company

Transportation and Insurance Committee

At a recent U.S. international trade conference, one of the speakers said, “Shipping adjusts, trade continues,” referring to necessary adaptations shippers have made to meet their commercial commitments in the face of continuing global volatility from natural and geopolitical impacts. From a U.S. cotton perspective, the origin of that trade is not a guaranteed, as we face even more intense global competition to the same consuming markets, noting that customers do not have to buy American.

Fifteen months after the official end of the pandemic, ACSA flow data and member feedback reinforce the unfortunate reality that we have not reached pre-pandemic performance levels across U.S. cotton supply chains and with our principal operational counterparties – ocean carriers. We continue to be affected by changing vessel schedules and cargo receiving windows for interior and port shipments, disrupting the critical “first miles” from warehouse container loading to loaded delivery to ports and rail ramps. Differences between ocean carrier and terminal / rail data can create confusion that delays the drive in-gate, and time is lost sorting out what is right.

The way forward requires a systemic commitment by essential members, including ocean carriers, railroads, ports, warehouses, truckers, chassis providers, third party intermediaries, government, and shippers. Our focus must be on two key areas: improving container and shipment level operational performance and enhancing data alignment and visibility.

ACSA has clear priorities and is committed to driving improvements to keep U.S. cotton competitive in global markets. We call on all essential members to join us in this effort.

Michael Symonanis
Director, Strategic Network, LDC

An eventful year for cotton

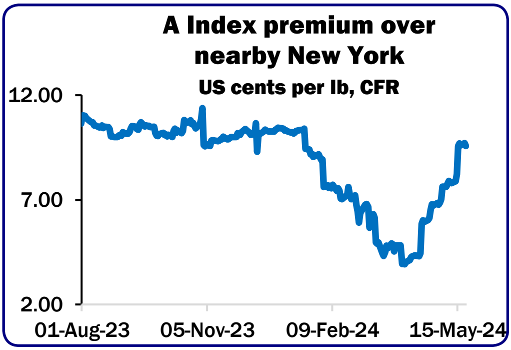
A lot has happened in the year since the last ACSA convention in Park City, Utah.

Cotton futures over the past 12 months have seen significant short-term fluctuations but (in contrast to the sustained bull and bear markets that characterized the Covid period) have been range-bound for quite lengthy periods. In May 2023, the nearby month was trading between 79.00 cents/lb and the mid to lower 80.00-cents/lb and remained in that familiar pattern until it broke through to the upside towards the end of August 2023. The most active contract slowly gained ground over the next couple of months as demand for US cotton picked up, peaking at 89.35 cents/lb on October 9, 2023, which at the time was its highest level since May 19, 2022 (94.56 cents/lb). July futures slowly retreated over the next few months, settling comfortably back into the lower 80.00-cent range through the end of 2023.

However, since the start of 2024, a wave of speculative buying – in response to the tightening US balance sheet for 2023/24 – took the nearby contracts to new highs. The May contract crossed the dollar threshold in late February before an equally swift sell-off took place. In early May, the July delivery (by then the most active contract) closed below 77.00 cents per lb.

The US statistical position has been affected by another depleted crop, again the result of high abandonment in Texas, as well as the return of China as a major buyer of US cotton. USDA's latest estimates place the carryover at 2.4 million bales, the second lowest of this century – in marked contrast to the ample supply in prospect in the rest of the world, most notably from the Southern Hemisphere. Water availability in Australia will support a crop of over a million tonnes of lint for a third season in succession, while in Brazil output is placed at more than 3.6 million tonnes – a new record by some margin.

As futures rose early in 2024, this disparity, coupled with a physical market characterized by poor profitability on the part of spinners, exerted substantial downward pressure on the non-US basis.

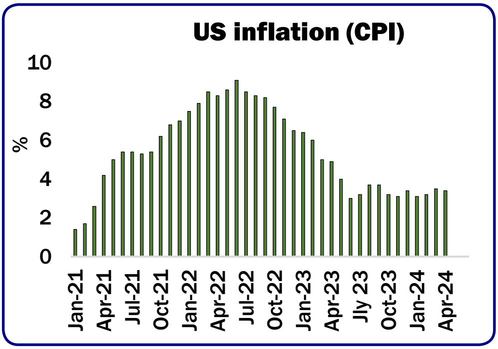


As a result, the premium shown by the Cotlook A Index in respect of New York came under acute pressure. Then, as futures subsequently retreated, the 'outside' basis duly recovered some ground.

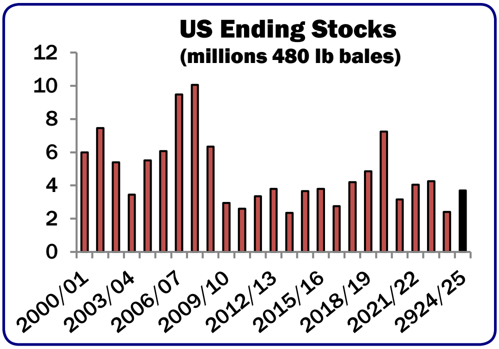
The evident fragility of the non-US basis was accentuated not only by the still hand-to-mouth, price-sensitive nature of mill demand but also by the inverted structure of the futures market. At its widest in late February, the July/December spread closed at a July premium in excess of 15 cents per lb. The resultant threat to the value of merchants' long position was palpable as they endeavored to reduce exposure in what remained a buyer's market. The A Index fell to an eighteen-month low of 83.25 cents per lb in early May, having reached a peak of 107.00 only a few weeks earlier.

The risk incurred by holding trade long positions in physical cotton was accentuated by the high cost of finance. The Federal Reserve hiked interest rates for the first time since 2018 in March of 2022 and has since made 11 further increases in an effort to curb inflation. Prior to the first rise, interest rates were at zero but had peaked at between 5.25 and 5.5 percent by July 2023. At the start of 2024, the Federal Reserve suggested that up to three rate cuts would take place in the current year. As of the latest meeting on May 1, none has been made, reflecting a lack of further progress toward the two-percent inflation objective. The April figure came in at 3.4 percent.

Meanwhile, the outlines of next season's US cotton balance sheet are gradually becoming a little clearer, even if considerable uncertainty persists. On March 30, the Department of Agriculture announced planting intentions at 10.67 million acres. Washington's initial production forecast is 16 million bales (480 lbs), versus the 12.07 million obtained from the 2023/24 crop. Across the cotton belt, growers are hopeful of a decent year as soil conditions remain mostly adequate across



the cotton belt. The industry is anticipating abandonment in West Texas to be well below the previous two years, which were over 70 and 50 percent, respectively. As a result, ending stocks are forecast to recover by the end of the 2024/25 marketing year to 3.7 million bales.



The struggle for market share with the Southern Hemisphere producers may thus intensify, with import demand from China, as ever, a key factor influencing the behavior of world prices.

As always, we would like to extend our sincerest gratitude to our subscribers and to everyone who contributes information to help us provide the most accurate and up-to-date cotton information.

Kelly Nelson
US Business Manager
Cotlook Ltd

Cotlook Subscription Services

COTTON OUTLOOK
NEWS • DATA • ANALYSIS

Cotlook In One

Cotlook In One gives you Cotlook Daily, Cotlook Cottonquotes AND Cotton Outlook Weekly in one package. Multiple user licences are available at competitive rates. Each service is described here and can be subscribed to separately...

Cotlook Daily

- Cotton news updated through the day
- Three daily summaries one each from Beijing, Liverpool and Memphis

Cottonquotes

- Representative CFR Far Eastern quotations for a wide range of cottons
- The Daily A Index and its constituent prices

Cotton Outlook Weekly news

- Electronic format
- FREE Special Features
- FREE Annual Special Edition

Other Services include:

Price Series

Historical data for your own database
Monthly updates available from our website as self-extracting files in Excel format.
The Price Series database includes:

- Cotlook A Index
- A Index constituent growths
- Other non-index CFR Far East quotes
- Cotlook basis data

If you require further information about any of our services, or you would like to take out a subscription, please contact Mary Fay by email at: subscriptions@cotlook.com

www.cotlook.com