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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

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Cotton USA Summit – Building and Strengthening the Cotton Industry



Kelly Nelson
US Business Manager
Cotton Outlook

In 2024, the biennial Sourcing USA Summit is taking place in southern California at the Omni La Costa Resort, from November 11 to 13. In the two years since the last Summit, held in Miami, Florida, much has happened in our ever-changing cotton sector. This November, cotton and textile industry representatives will have the chance to listen to speakers from around the world who will discuss some of the developments of the intervening period, touching on topics such as finding success through the unsold market, the 2024 elections and implications for global trade policy, navigating traceability in modern supply chains, how Artificial Intelligence will transform your business, the economic and financial market outlook in a time of uncertainty, and the always popular Bull and Bear panel. Meanwhile, networking sessions at

the Summit will provide an informal setting in which participants can share information with major players in the cotton textile industry from the USA, Asia, Europe, and Latin America. These will offer an unrivalled opportunity to gain valuable business insights and strengthen relationships with peers from around the globe while allowing participants to engage with prominent figures within the sector in order to create positive change for the global cotton community. We would like to thank Cotton Council International for hosting such a prestigious event, as well as all those in the industry who support our endeavors, whether by contributing to our Special Features, sharing market information, exchanging opinions, advertising, and providing price quotations to ensure the accuracy of the Cotlook A Index and its constituents.



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American Cotton Shippers Association's Welcome and Update



William H. "Buddy" Allen
President and CEO
American Cotton Shippers Association

The American Cotton Shippers Association ("ACSA") is thrilled to welcome our customers, partners, and friends to the 2024 Cotton Council International ("CCI") COTTON USA Summit. This year marks a significant turn for the U.S. cotton industry, as we recover from the severe droughts of 2022 and 2023 in West Texas. We are pleased to see the current crop return to a more normalized production volume, with early classing and harvest forecasts indicating a diverse range of cotton qualities will be available to meet your various needs.

The challenges of recent years have been profound, but they have spurred significant innovation within our industry. We have developed new strategies to enhance our resilience and value proposition, both domestically and globally.

ACSA is dedicated to several key priorities aimed at strengthening our industry. First, ACSA is laser-focused on developing and protecting the best risk management tools for U.S. cotton producers to ensure a consistent production volume of high-quality cotton when nature provides conditions that do not prohibit this. Secondly, improving the efficiency of our supply chain is a top priority. We are working to streamline inventory management, enhance data sharing and communication, and reduce costs related to ocean shipping. These efforts will make U.S. cotton delivery more timely and competitive. ACSA is proud of the new accountability measures put in place by the Ocean Shipping Reform Act, including preventing ocean carriers from prioritizing empty sailings over U.S. agricultural exports, ultimately enhancing our members' ability to

provide timely shipments. Third, we are focused on mechanisms to leverage the unprecedented consumer spending on finished apparel products in the United States and ways to utilize U.S. cotton's unique traceability and sustainability to meet consumers' needs in a way that can be authenticated. We believe this will give certainty to stakeholders in the value chain that they can be insulated from risks and extract non-performing actors from enjoying access to our consumers' commerce. Our effort will be powered by the U.S. cotton Trust Protocol, which will continue to compound its value as the opportunities associated with comprehensive traceability are just beginning to be realized in our industry. Lastly, ACSA is advocating for streamlined regulatory processes and exploring emerging technologies to simplify the shipping and utilization of U.S. cotton, aiming to minimize complexities and improve user experience.

We are excited to see CCI more resource-equipped than ever to engage

and provide service to our customers. CCI continues to innovate, with offerings that are relevant and responsive to our customers' needs. In addition to serving as an outward-facing advocate for our industry, CCI delivers feedback from mill customers to our industry, so we may act on your request with the goal of being the best sourcing option in the world.

As we reflect on the past few years, marked by geopolitical and macroeconomic challenges, ACSA recognizes the value of maintaining strong customer relationships and advocating for measures that enhance service and performance to our customers. ACSA will remain focused on how to best navigate and innovate, ensuring our customers can be confident in our ability to deliver. We appreciate the close and valuable partnership we share with CCI and look forward to the traditional commercial and social interactions that will occur at the 2024 CCI COTTON USA Summit.



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Supply Chain Transparency Creates Opportunity for Cotton



Hank Reichle
President and CEO
Staplcotn

The textile and apparel supply chain is ever changing and the global cotton industry must also continuously adapt if it wants to win its fair share of total fiber consumption. In the past 30 years, two notable changes that have come about are fast fashion and the innovations made by other fibers that compete with cotton. While these changes expanded overall fiber consumption, cotton's share of the global fiber spinning blend has decreased. Increasingly, another element of change coming is greater supply chain transparency to document all sorts of environmental and social impacts as well as origin. This expanded focus on transparency is burdensome and full of challenges, but it also creates opportunity for cotton as there are several inherent advantages in these

areas. We are natural, renewable, biodegradable, increasingly mechanized during production and harvest, and carry a lower carbon footprint than many other fibers - while having the ability to shrink it even further. All these statements are true for cotton overall, but especially for U.S. grown cotton. How the cotton industry reacts to this push for transparency will have a significant impact on cotton's fiber share in the years ahead.

Whether it is to prove the geographic area of production or environmental impact of the components in the products they sell, brands are now feeling the pressure to know more about the opaque supply chain from which their products are sourced. Generally, this latest pressure stems from a marketing focus,

corporate governance, or regulation. In any case, a brand's reputation and financial success is on the line and its partners across the value chain are paramount to the brand's success. The textile supply chain is long, complicated, and extraordinarily price sensitive. That being the case, this new push towards transparency, which allows for traceability and data collection, is a tremendous challenge to implement across the many stakeholders required to make it happen. My contention is that the fiber industries that do not facilitate this transparency (or whose environmental footprints do not measure up well) will be the fibers avoided when brands decide what goes in the products they sell.

As a U.S. cotton merchandiser who works for a grower-owned firm, it is increasingly part of my job to carry this message to our growers and the rest of the value chain, including our spinning mill customers. The good news is that I work in the U.S. cotton industry, which enjoys strong industry collaboration and is closely regulated, transparent, traceable, easily data-rich, and responsibly grown. All these attributes combined with our fiber quality and volume availability put the U.S. cotton industry in an advantageous position to meet the growing needs of the supply chain. Undoubtedly, the U.S. Cotton Trust Protocol showcases our national capabilities and offers a one-of-a-kind solution to the global textile industry.

In December of 2019, the Trust Protocol held its inaugural meeting after several years of planning the 2020 launch of the organization. A true industry collaboration, the Trust Protocol is the voluntary sustainability program for U.S. cotton growers and traceability platform for all U.S. cotton. It is the only program to offer quantifiable and measurable goals across six key sustainability metrics in addition to being the first cotton

fiber program to offer article level traceability. With growers at the heart of the program, a core pillar also remains an ongoing effort to improve the profitability, sustainability, and traceability of U.S. cotton production.

At Staplcofn, we have committed ourselves to promoting participation in the Trust Protocol and other sustainability programs among our membership because we know the supply chain is looking for partners willing to provide them with authentic transparency and a demonstrably safe and responsible fiber source. Once brands get to better understand our national system, they will prefer our U.S. grown cotton fiber over other alternatives and will favor it in their supply chains. As the supply chain increasingly chooses fibers on environmental and social impact merits, U.S. cotton will hold a significant advantage over others.

At a time when the global cotton industry and the textile and apparel industries are collectively challenged on many fronts, one resource we have is U.S. cotton's inherent transparency and the systems set up around it to ensure our brands partners get what they need from the value chain. As our industry faces another supply chain evolution, I encourage our U.S. growers, merchandisers, spinning customers, and brands to embrace the incredible value offered by U.S. cotton.



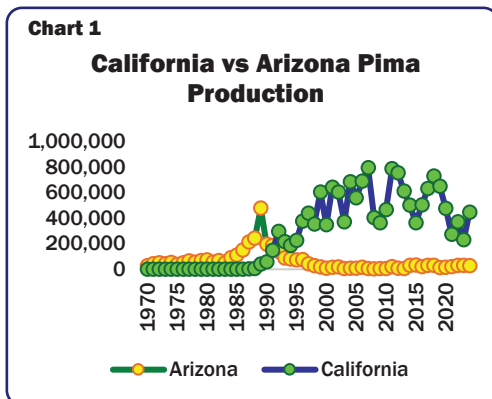
History of ELS Pima Cotton in California

Steve Williams
C.O.O.
Jess Smith & Sons Cotton, Inc.

Long staple, Pima cotton was introduced into the U.S. in the early 1900's, first in Arizona in 1924, then New Mexico, Texas and finally California in 1941. Arizona dominated US Pima Production (see Chart #1), peaking in 1989 with 477,000 (480-lb) bales. By 1992, California had taken the lead in

Pima production, averaging 85% of the total U.S. production the last 10 years.

California was reluctant to switch from upland varieties to Pima due to concerns over the discounts that lower quality Pima could receive, compared to Upland. Eventually, as California growers experimented with growing Pima, they realized that fear only materialized rarely as growing conditions in California were so uniform, and overall high-grade qualities (see chart #2) were very consistent over time, with Grade 1's and 2's averaging 95%, Staple 46+ averaging 99%, and G5 Micronaire averaging 98% over the last five years. Eventually, upland production, (see chart #3), which hit a high of 3,535,000 bales in 1982 began to slide, in preference to the higher priced Pima, and Pima pushed past upland production in 2007, and that lead has only increased.



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Chart 2

High Quality California Pima Percentages 2019/20 - 2023/24

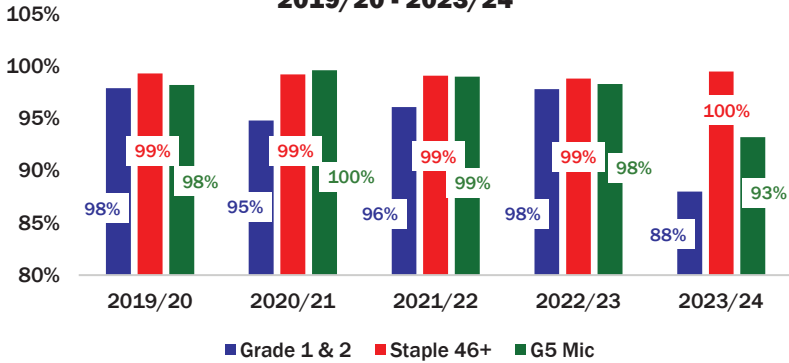
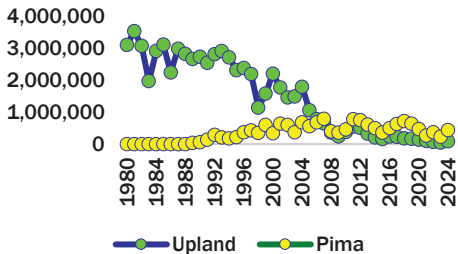


Chart 3

California Upland vs Pima 1980 - 2024



with many more countries buying the high-end fiber. Marketers are working with growers to improve traceability and encourage sustainability through better crop growing methods, as brands and downstream customers demand these advances.

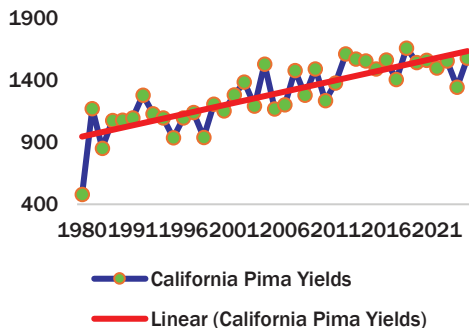
California Pima growers still experience challenges, mostly lack of water, but better water management strategies, improved seeds that can handle drought and a long experience base growing this amazing cotton bodes well for the future for California Pima.

Also, expanding the preference for California Pima over upland, was the increasing yields (see chart #4), which was 480 lbs. per acre in 1980, and has averaged 1,522 lbs. per acre over the last 10 years.

California Pima is highly sought after around the World in high-quality markets to make fine shirts, high-count sheets, and is known for its strength and softness. The main markets to spin the Pima cotton into yarn are India, China, Peru, Vietnam and Italy

Chart 4

California Pima Yields



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Seeds of Intelligence: Reaping AI's Potential in Agriculture



Mark Pryor,
Chief Executive Officer,
The Seam

Artificial intelligence (AI) has been making waves across various industries, and agriculture is no exception. As AI continues to evolve, it's becoming increasingly clear that this technology holds immense potential for transforming the way we cultivate, manage, and trade agricultural products. The cotton industry, with its deep-rooted global significance, stands at the forefront of this transformation. The question now is: how can we best harness AI to unlock new opportunities and drive the industry forward?

AI: The Digital Brain of the Future

To truly grasp the potential of AI, we must first understand what it is at its core. Think of AI as digital brains housed within large, powerful

computers. Every AI application that has impressed us—whether it's a chatbot that effortlessly answers questions or a sophisticated algorithm analyzing vast amounts of data—operates on this fundamental concept. These digital brains process information, learn from it, and perform tasks, mirroring the capabilities of the human brain but with far greater speed and capacity.

What sets AI apart from traditional tools is its ability to evolve. Unlike conventional technologies that perform rote tasks as programmed, AI systems self-improve over time. As they encounter more data and real-world scenarios, their algorithms are automatically refined, becoming increasingly more accurate and efficient. This self-improvement is what

makes AI uniquely suited to industries like agriculture, where data-driven decisions are critical to success and advancement.

AI's Expanding Role in the Cotton Industry

You might already be interacting with AI without even realizing it—whether it's through a voice-activated assistant on your phone or a chatbot on a customer service website. In the cotton industry, AI can optimize operations across the entire value chain. For example, AI-driven tools can analyze market trends, predict price fluctuations, and even assist in crop management by providing real-time insights based on weather patterns and soil conditions.

One of the most exciting applications of AI is showcased through conversational user interfaces. We are quickly approaching a world where instead of navigating complex agricultural software with a keyboard, mouse, input boxes and dropdown menus, you can simply ask a question in plain language, or for a multi-step task to be performed, and the AI would instantly comply. A cotton trader might ask their AI-driven corporate system, "What grades and quantities are due in the next three months against open contracts to Bangladesh?" and receive an immediate, precise, and beautifully graphical response. This kind of interaction has the potential to simplify decision-making and make data more accessible and actionable for everyone in the organization.

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Let's work together to use this new technology and increase efficiencies within the cotton industry.

AN INDUSTRY THAT WORKS TOGETHER WINS TOGETHER

AI also excels at integrating industry-specific data, such as commodity trading reports and market analyses, into models that identify patterns and offer predictions. This capability enables industry professionals to stay ahead of market shifts, make informed decisions, and ultimately enhance profitability through insights and efficiencies.

Moreover, the advanced multi-modal capabilities of AI (text, audio, video, image) bring a new dimension to the textile and fashion industries. These systems can instantly generate photorealistic images of concept products—such as shoes, clothing, and accessories—enabling manufacturers and designers to visualize their product ideas with stunning accuracy. Imagine being able to create and place these products in realistic scenarios and settings at the click of a button. This not only accelerates the design and approval processes but also enhances marketing efforts by allowing stakeholders to see products in lifelike contexts before they even exist.

The Future of AI in Agriculture

The potential of AI extends well beyond the current applications in the wild today. As AI continues to advance, it is set to become an even more integral part of agriculture. The concept of Artificial General Intelligence

(AGI)—an AI capable of performing any intellectual task that a human can—may seem like science fiction, but it offers a tantalizing glimpse into our not-so-distant future. Imagine an AI system that not only analyzes data but also evolves by learning from the outcomes of each decision, constantly refining its capabilities to meet new challenges. This adaptability is crucial for the agriculture industry, where conditions and demands are always shifting.

Embracing the AI Revolution

The seeds of AI have been planted, and they are already beginning to sprout, signaling a profound transformation ahead. For the cotton industry, embracing AI is essential to stay competitive in a rapidly changing global market. By viewing AI as a digital “co-pilot” that works alongside us while continuously improving itself, we can start to appreciate the transformative power it holds. The future of agriculture depends on our ability to harness this power, ensuring that AI becomes a tool for progress, efficiency, and overall innovation.

The journey of AI in agriculture has just begun, and the possibilities are immense. Now is the time to embrace this technology, positioning the cotton industry to take full advantage of the opportunities ahead.



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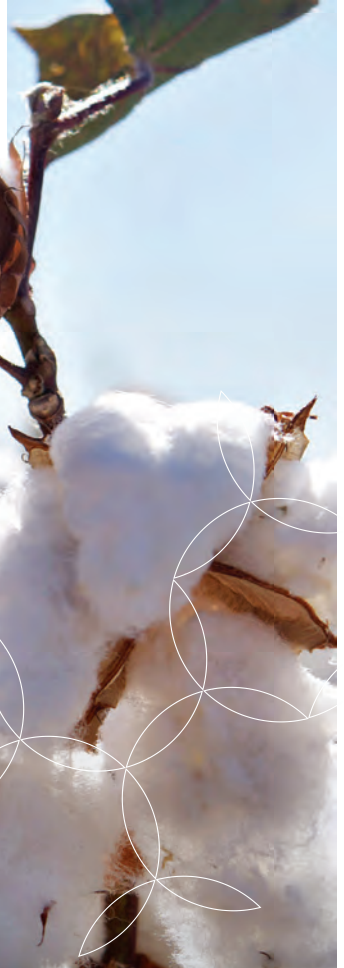
Coffee



Cotton



Freight



Serving our U.S. Customers



Mike Canale
Director of Merchandising
Plains Cotton Cooperative Association

The U.S. cotton industry has been under pressure due to ongoing challenges from prices, adverse weather, rising costs, and competition. The good news is that, despite these problems, the industry has a rock-solid foundation to continue serving our customers. The U.S. continues to compete in the world marketplace because of our reliable and sustainable cotton, innovation, and efficiencies. We provide genuine value to our textile customers worldwide through education and service.

The Foundation

Reliability. It's more than the fiber quality we deliver; it is how we serve our customers. While the industry has a solid foundation, rising competition will require us to improve quickly. I am optimistic that our industry leaders and elected officials will pass a Farm

Bill to improve support to U.S. growers. Passing a Farm Bill that supports our producers through difficult times is crucial, so we have an ample supply to be a reliable provider of cotton around the globe.

Sustainable Growers. Most U.S. cotton growers operate on family-owned land handed down from previous generations. These growers understand the importance of passing down the land with the best available resources and in the best possible condition. The U.S. Cotton Trust Protocol is a service provided to growers throughout the U.S. by the National Cotton Council. This initiative continues to gain traction each year and aids in telling the story of sustainably produced U.S. cotton.

Industry Innovation. Continuous improvement will be integral going



Students at the Texas International Cotton School attend a Plains Cotton Growers meeting.

forward. As an industry, we will continue studying and implementing practices that best meet our customers' needs. The National Cotton Council's 4-bale module averaging pilot program looks to enhance cotton fungibility and increase flow efficiencies. Our warehouses have implemented strategies to make loading and transportation delivery practices more timely. PCCA developed state-of-the-art intermodal shipping facility has helped decrease fuel and labor costs, which helps reduce the overall marketing costs for U.S. customers. We are constantly studying and educating our industry on practices that enhance the product speed to market. Looking back at the innovations our industry has achieved in the past leads me to believe this success will continue.

Education-driven Efficiencies. These initiatives are from organizations such as the National Cotton Council (NCC) and Cotton Board, as well as regional organizations such as the Texas Cotton Association (TCA), Lubbock Cotton Exchange, and Plains Cotton Growers (PCG). The TCA provides an opportunity to discuss cotton flow and other industry issues. PCG advocates for the cotton industry and offers a round table discussion of the current crop conditions and issues that affect the High Plains producers.

This past August, the Lubbock Cotton Exchange and Texas Tech

University's Fiber and Biopolymer Research Institute held the 43rd annual Texas International Cotton School. Approximately 40 instructors and 22 students participated, ranging from industry professionals, academic professors, and research specialists from Texas Tech and Texas A&M. This two-week course provides global participants with in-depth knowledge of the role and challenges each segment in the industry faces to make it stronger. Additionally, the International Cotton Association's Women in Cotton Program was established to promote diversity within the industry by creating a stronger voice and increasing the engagement and impact of women in the global cotton community.

Opportunities to connect and engage within this movement have provided a wide demographic with a robust understanding of women's valuable contribution to the industry. These are just a few examples of the ample opportunity for educational resources to help all facets of the industry better understand the issues we are facing.

Building a structure, company, or industry requires a solid foundation. The foundation is usually not seen and rarely discussed, but it is critical in serving our textile customers. The U.S. cotton industry is on a firm foundation today and tomorrow!

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