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OUTLOOK**

NEWS • DATA • ANALYSIS



**2026 China Cotton Industry  
Development Summit Forum, Chongqing**

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## CONTENT

<b>Demand remains the primary price driver in the global cotton industry</b>	<b>4</b>
China Business Manager - Cotlook Ltd Billy Meng	
<b>Latest Updates from the China Cotton Association and the Outlook for 2025/26</b>	<b>5</b>
China Cotton Association	
<b>Forging New Quality Productivity, Empowering the High-Quality Development of the Cotton Industry</b>	<b>8</b>
China National Cotton Exchange	
<b>Chinese Imported Cotton Market in 2025</b>	<b>10</b>
Beijing Cotton Outlook	
<b>Shifting from Ample Supply to Tight Balance</b>	<b>13</b>
Cotton & Textile Industry Service Center, Changjiang Futures	
<b>Research Progress and Application of Cotton Breeding Technologies</b>	<b>15</b>
Xinjiang Lihua (Group) Co., Ltd. Zhao Haiquan	
<b>World cotton price finally bottoming?!</b>	<b>18</b>
Hooray Trading (Beijing) Co., Ltd. General Manager Horace Wang	
<b>Cotton Price: Upward Momentum Eases</b>	<b>23</b>
Guan Heng	
<b>Overview of the Global Cotton Market</b>	<b>27</b>
Director and Deputy Editor - Cotlook Ltd Alice Robinson	

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## PUBLISHED BY

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## Demand remains the primary price driver in the global cotton industry

**CHINA BUSINESS MANAGER -  
COTLOOK LTD**

Billy Meng

This year's China Cotton Industry Development Summit Forum takes place at a volatile moment for the cotton market. In mid-to-late April, International prices remained strong, with New York cotton futures trading above the levels observed a year earlier, driven in part by expectations of a tighter global balance sheet next season. In 2025, when we gathered in Guangzhou, ICE futures were under pressure from heavy global supply, as well as macro factors including Washington's imposition of wide-ranging import tariffs and China-US trade tensions.

At present, the situation in the Middle East has persisted for nearly two months, providing strong short-term support to both international and domestic cotton prices. It has also pushed up global cotton planting costs, affected inflation and interest rates, and significantly disrupted regional trade and logistics. Further escalation of the conflict could lead to profound adjustments in the global cotton planting structure, trade landscape, and industrial chain layout.

The outlook for prices will still be influenced by the performance of export shipments, consumption in major economies, weather conditions and new crop planting progress in the leading cotton-producing countries. Persistent drought in major US growing regions has become a key support for the current market, with widespread concerns over the impact on production and yields.



Coupled with shifts in planting patterns across the other principal cotton-producing nations, market expectations of a tighter supply outlook have strengthened. As the world's largest cotton consumer and importer, China runs a persistent supply deficit and will continue to rely on imports to meet demand.

This year's gathering, then, provides an opportunity to discuss the key points affecting the cotton sector at a crucial juncture. We express our deepest thanks to the organisers, as well as the authors in this publication, and look forward to an enlightening event in one of the country's major economic and cultural centres.



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中国棉花协会  
CHINA COTTON ASSOCIATION

# Latest Updates from the China Cotton Association and the Outlook for 2025/26

CHINA COTTON ASSOCIATION

## ABOUT THE CHINA COTTON ASSOCIATION (CCA)

The China Cotton Association (CCA), founded in 2003, is a national, industrial and non-profit social organisation approved by the Chinese government. Serving as a core bridge connecting all levels of China's cotton industry, CCA facilitates communication between the government and businesses, and links up with the global cotton sector. The Association has a membership covering the entire cotton industrial chain, represents the overall interests of the sector, and is committed to promoting the high-quality and sustainable development of the country's cotton industry as well as safeguarding fair competition. CCA has made continuous progress in international cotton industry cooperation and the development of sustainable cotton programmes, laying a solid foundation for the steady development of China's cotton industry and contributing Chinese wisdom to the coordinated growth of the global cotton market.

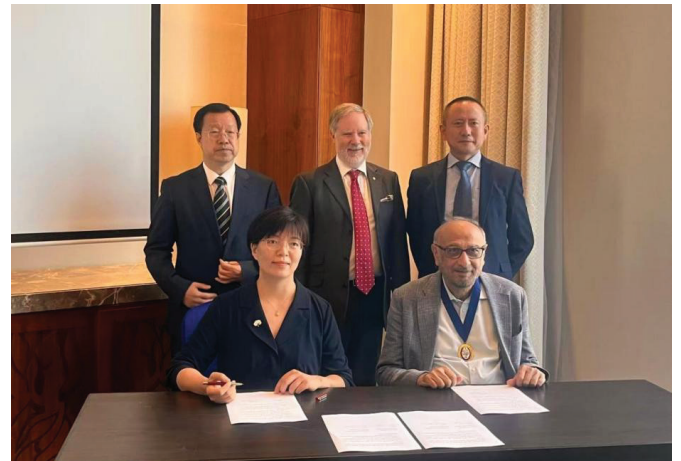
## I. DEEPENING DIVERSIFIED INTERNATIONAL COOPERATION

In 2025, adhering to the philosophy of openness and win-win results, CCA deeply engaged in international cotton industry affairs. As a member of the Committee for International Co-operation of Cotton Associations (CICCA), CCA actively participated in international exchange events, promoted practical cooperation, and continuously elevated the international influence of China's cotton industry.

During the annual International Cotton Association (ICA) event held in Dubai, CCA signed a new round of Memorandums of Understanding with ICA, adding clauses related to sustainable cotton cooperation. The two sides focused on dual core objectives:

safeguarding a fair international cotton trading environment, and advancing the sustainable development of the industry, consolidating the long-term and stable foundation of bilateral cooperation.

Looking ahead to 2026, CCA will continue to strengthen exchanges with cotton industry organisations in major cotton-producing countries as well as core international cotton institutions. The Association will deepen cooperation in areas including cotton trade collaboration, technological exchange and sharing, industrial sustainable development, and joint formulation and mutual recognition of standards, and jointly promote the sound, orderly and win-win development of the global cotton industry.



## II. LATEST UPDATES ON THE CHINA COTTON SUSTAINABLE DEVELOPMENT PROGRAMME

China boasts abundant cotton industry resources and a complete industrial chain, with remarkable achievements in sustainable development. Initiated by CCA in 2021 in conjunction with four national textile industry associations, the China Cotton Sustainable Development Programme (CCSD) is guided by the core principles of "environmental

friendliness, superior quality, respect for labour, and full traceability”. It is dedicated to establishing an independent Chinese cotton standard and certification system and driving the industry’s transition toward green and low-carbon development.

As of January 2026, the programme had completed the audit and certification of 81,333 hectares of cotton fields, of which 21,333 have been incorporated into the sustainable cotton demonstration system. On the supply chain side, 229 cotton ginning enterprises nationwide have participated in the programme, with a total of 15,000 certificates issued, corresponding to a total lint volume of 640,000 tonnes. On the brand side, one million quality certification trademarks have been issued, with related products covering home textiles, apparel and other categories, gaining wide recognition in the market.



### III. REVIEW OF CHINA’S COTTON MARKET IN 2025 AND ESTIMATE FOR THE 2025/26 SEASON

#### (I) Supply and Demand Situation in 2025

##### 1. Overall Review of the Domestic Market

In 2025, China’s cotton market enjoyed ample supply and resilient demand, with prices fluctuating slightly. Both planted area and yields increased, and total production hit a record high for the second consecutive year. Affected by complex global political and economic conditions, changes in the international trade environment, and the growing substitution of chemical fibres, exports of cotton-based textiles and apparel were under pressure, leading to a sharp drop in cotton imports.

Driven by domestic consumption-boosting policies and the continuous expansion of textile production capacity, China’s cotton use remained largely stable. Market players returned to rationality, new cotton purchases were generally steady, and prices declined moderately.

##### 2. Review of Domestic Spot Price Trends

At the beginning of 2025, cotton prices were stable amid enterprises’ restocking activities. In April, prices plummeted due to the impact of US tariff measures, and the China Cotton Index (CC Index 3128B) fell to a four-year low of 14,100 yuan per tonne on May 7. Subsequently, boosted by the consensus reached in China-US economic and trade consultations and the accelerated digestion of commercial inventories, cotton prices fluctuated upward, hitting an annual high of 15,609 yuan per tonne on July 28.

In the second half of the year, market confidence recovered, buoyed by consumption-boosting policies and stabilising measures. Cotton prices rebounded and continued to rise towards the end of 2025. On December 31, the Index closed at 15,556 yuan per tonne, an increase of 881 yuan on the year. The annual average price stood at 14,903 yuan per tonne, down 6.7 percent, with a maximum annual fluctuation range of 10.7 percent and a maximum decline of 6.1 percent.

##### (II) Forecast of Supply and Demand for 2025/26

Driven by the expansion of national spinning capacity, the recovery of textiles and apparel exports from January to February 2026, the weakening of chemical fibre substitution for cotton due to rising crude oil prices, and the approaching peak season for demand, cotton consumption is on an upward trend in 2025/26. Based on new cotton processing and inspection data and newly added import quota, CCA revised its forecasts for cotton production, imports and consumption upwards for the current season in March.

Domestic cotton output is projected to reach 7.4 million tonnes, up 11.2 percent year on year and 135,000 tonnes higher than the previous forecast. Cotton imports are expected to

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hit 1.4 million tonnes, up 33 percent and 300,000 tonnes higher than in the February estimate. Consumption is forecast at 8.6 million tonnes (up 10.3 percent and 500,000 tonnes respectively), and cotton exports

are estimated at 11,000 tonnes (down 15.4 percent and 4,000 tonnes). Ending stocks are projected at 10.1 million tonnes, up 2.1 percent on the year.

<b>China Cotton Supply-Demand Balance (2025/26) (10,000 tonnes)</b>				
	2025/26	2025/26	2024/25	YoY Change
	Mar	Feb		
Production	741.3	727.8	666.4	11.20%
Imports	140	110	105.3	33.00%
Domestic Use	860	810	780	10.30%
Exports	1.1	1.5	1.3	-15.40%
Ending Stocks	1,005.50	1,011.60	985.3	2.10%
Beginning Stocks	985.3	985.3	994.9	—



全国棉花交易市场  
China National Cotton Exchange

# Forging New Quality Productivity, Empowering the High-Quality Development of the Cotton Industry

CHINA NATIONAL COTTON EXCHANGE

As an important economic crop in China, cotton links the livelihoods of cotton farmers and rural revitalisation on the one hand, and underpins the lifeline of the textiles and apparel industry on the other. It serves as a key pillar for serving the real economy and ensuring people's well-being. The China National Cotton Exchange (CNCE) has always adhered to its strategic positioning of serving the national macro-control of cotton and empowering the high-quality development of the cotton and textiles-apparel industry. It has broken through bottlenecks with solid actions and improved quality through innovation, continuously injecting core momentum into the upgrading of China's entire cotton industry chain.

In 2025, mindful of its mission and responsibilities, CNCE focused on pain points and difficulties in the industry and achieved all-round breakthroughs in financial support for farmers, regulation and supply guarantees, business innovation, logistics reform, and digital upgrading, serving industrial development with concrete measures.

## TARGETED FINANCIAL SUPPORT FOR FARMERS

CNCE's exclusive credit product 'Cottone Loan' continued to expand and improve efficiency. In 2025, it granted credit lines of over 40 billion yuan to cotton farmers in Xinjiang, with loans issued exceeding 30 billion yuan, representing a year-on-year increase of 80 percent. The programme benefited 100,000 cotton farmers and helped them save more than 500 million yuan in financing costs, consolidating the foundation for cotton farmers' income growth with financial 'living water'.



## GUARANTEE OF AGRICULTURAL INPUT SUPPLY

The Exchange successfully organised the bidding-based sale of national reserve potash fertiliser, with a total transaction volume of 1.1 million tonnes. It jointly built a national online platform for agricultural input supply, arranging the procurement of 1.11 million tonnes of nitrogen, phosphate, and compound fertilisers. Entrusted by the National Development and Reform Commission, it carried out data registration on phosphate fertiliser flows and potash fertiliser production, transportation, sales and inventory, providing solid support for the national guarantee of agricultural input supply and price stability.



## **BUSINESS INNOVATION TO BREAK BLOCKAGES**

CNCE launched seed cotton supervision and pledge businesses, serving nearly one million tonnes of seed cotton in total and helping market entities obtain financing of over four billion yuan. It introduced the basis trading model for commodity cotton, solving core problems such as price risk control and payment settlement in spot-futures trade.



## **LOGISTICS REFORM FOR COST REDUCTION AND EFFICIENCY IMPROVEMENT**

In cooperation with railway authorities, the Exchange innovatively launched the 'station-to-station' full-train transportation plan and the 'Snow Lotus Express' fast cotton freight trains, shortening the transportation time of cotton from Xinjiang eastwards to within four days. It deepened strategic cooperation with railway departments, aiming to restore the proportion of railway transportation for outbound cotton to around 60 percent within three years.



## **COMPREHENSIVE UPGRADING THROUGH DIGITAL EMPOWERMENT**

The upgraded iCotton platform was officially launched, with the aim of building a 'data product matrix' for the entire cotton industry chain and enabling one-stop handling of multiple businesses. It upgraded a series of digital products, breaking down data barriers in the industry chain and laying a solid foundation for the digital transformation of the sector.

This year marks the beginning of the '15th Five-Year Plan' period and is a crucial moment for the cotton industry to pursue high-quality development led by new quality productivity. CNCE will uphold its role as a service platform, gather industrial synergy, continue to deepen reform, improve quality and efficiency, and contribute greater strength to the high-quality development of China's cotton and textile-apparel industry.

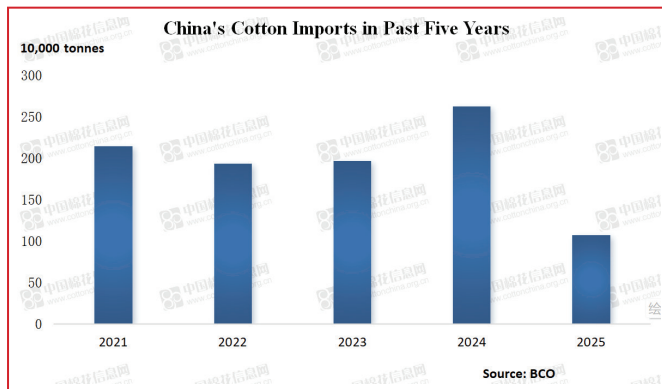




In 2025, China imported a total of **1.071 million tonnes** of cotton, a year-on-year decrease of more than 50 percent, hitting the lowest level in the past five years. By country of origin, Brazil remained the largest import source for China, while Australia rose to second place, and the US ranked third with its share falling to around 10 percent. In terms of prices, the average import value of cotton fluctuated downward throughout the year and remained at a relatively low level.

### I. CUMULATIVE IMPORTS PLUNGED IN 2025, HITTING A FIVE-YEAR LOW

According to customs statistics, China imported 1.071 million tonnes of cotton in 2025, a decrease of 1.548 million tonnes, or **59.12 percent**, compared with 2.618 million tonnes in the previous year, marking the lowest level in the past five years.



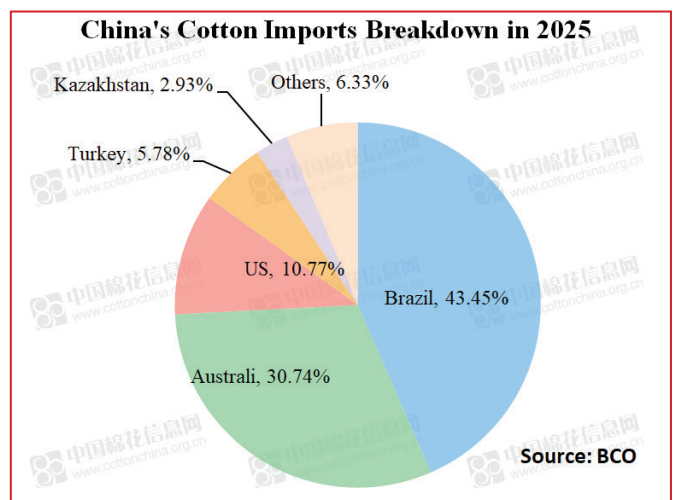
### II. BRAZILIAN COTTON RETAINS TOP SPOT; US COTTON SHARE SHRINKS FURTHER

For the full year of 2025, China's top three cotton exporters by country were:

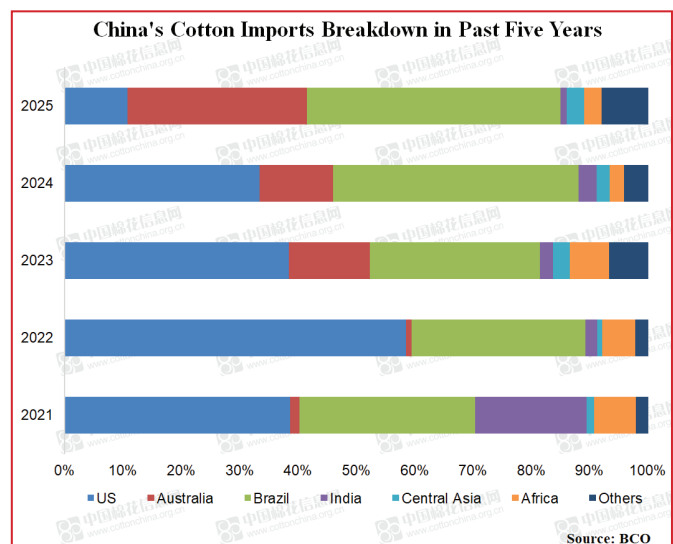
- **Brazilian cotton:** 465,000 tonnes, accounting for **43.45 percent**, down 57.8 percent year-on-year (from 1.102 million tonnes)
- **Australian cotton:** 329,000 tonnes, accounting for **30.74 percent**, up slightly by 0.1 percent

- **U.S. cotton:** 115,000 tonnes, accounting for **10.77 percent**, down 86.8 percent (from 876,000 tonnes)

In addition, imports of Turkish cotton rose notably to 63,000 tonnes, accounting for 5.9 percent of total imports, a marked increase from the previous year.

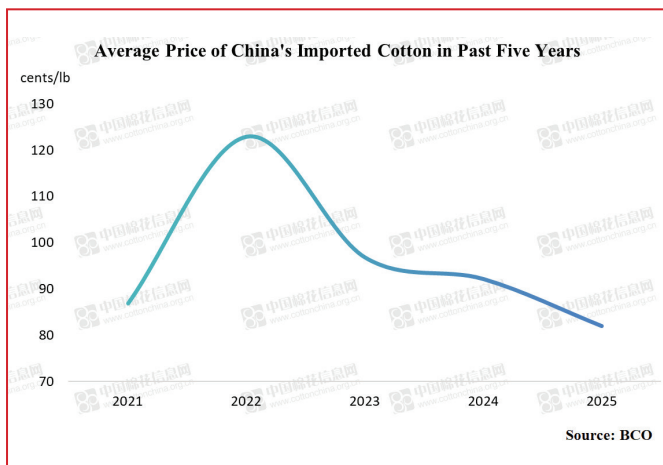


Brazilian cotton accounted for the highest share at **43.45 percent** in 2025, becoming China's top cotton source for the second consecutive year. Australian cotton imports rose slightly to **30.74 percent**. US cotton's share fell to **10.77 percent**, down 22 percentage points.



### III. AVERAGE PRICES OF ALL VARIETIES FELL FOR THREE CONSECUTIVE YEARS

In 2025, the **annual average import price of cotton** stood at **82.18 US cents/lb**, down **11 percent** from 92.34 cents/lb in 2024, the lowest level in the past five years. Monthly average import values mostly ranged between 75–85 cents/lb.

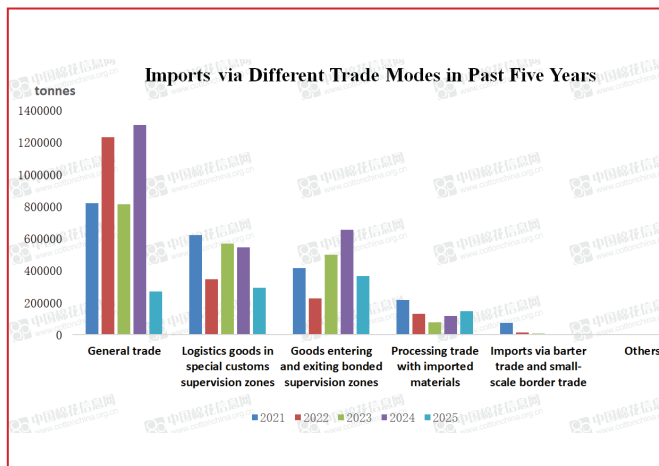


Average prices for major origins all declined: 78.92 cents/lb for Brazilian cotton, down 13.2 percent year on year, 81.13 cents/lb for Australian, down 14.1 percent, and 88.79 cents/lb for US cotton, down 7.6 percent.

### IV. IMPORTS VIA MOST TRADE MODES FELL SHARPLY; PROCESSING TRADE WITH IMPORTED MATERIALS ROSE

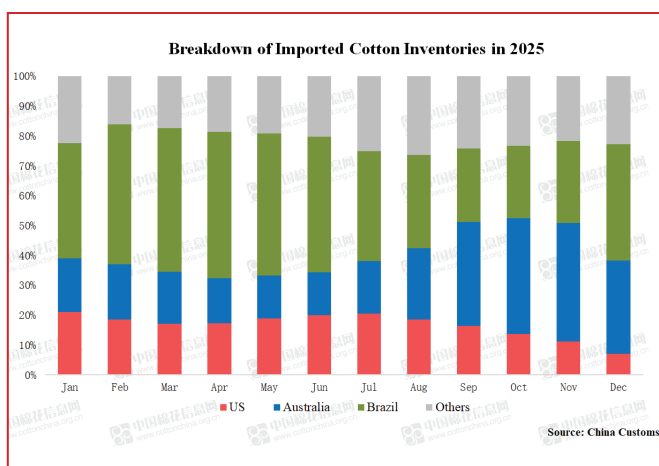
Trade mode in 2025: goods entering and exiting bonded supervision zones amounted to 367,000 tonnes (34.2 percent of the total), down 44 percent on the year. Goods in special customs supervision zones were 290,000 tonnes (27.1 percent), down 46.8 percent. General trade accounted for 269,000 tonnes (25.1 percent), down 79.4 percent. Processing trade with imported materials was 146,000 tonnes (13.6 percent), up 27.7 percent.

Small volumes were also imported via barter trade and small-scale border trade.



### V. PORT INVENTORIES FELL SHARPLY; BRAZILIAN & AUSTRALIAN COTTON ALTERNATED AS TOP STOCKS

Affected by lower overall cotton imports, **port inventories (Qingdao + Zhangjiagang)** fell noticeably in 2025, dropping from over 500,000 tonnes at the start of the period to just above 300,000 tonnes before recovering to below 400,000 tonnes by the year end, remaining at a three-year low. **Brazilian cotton** accounted for 30–50 percent of port stocks for most of the year, alternating with Australian cotton for first place. It dominated in January-June but fell to around 25 percent in Q3 (off-season) before rebounding slightly in Q4. **Australian cotton** held a relatively stable share of 15–20 percent before surging to nearly 40 percent in late Q3 amid active shipments. **US cotton** generally accounted for 10–20 percent, falling to just seven percent by the year end, the lowest level of 2025, as tariff restrictions suppressed imports to a monthly volume of around 300 tonnes at one point.



## VI. QUOTA POLICIES

### (1) One percent Tariff Rated Quota

On October 9, 2025, the National Development and Reform Commission (NDRC) issued the **2026 Detailed Rules for Application and Allocation of Cotton Import Tariff Rated Quota (TRQ)**, which set the 2026 total cotton TRQ at **894,000 tonnes**, with 33 percent reserved for state trading. No major changes were made to the total quota volume or trade modes compared with 2025, but application, issuance and management were significantly optimised to be **more convenient and predictable** for enterprises.

Key improvements:

1. **No limits on application times or periods:** Eligible enterprises may apply for quota certificates multiple times throughout the year. Electronic certificates will be issued within five working days and synchronised with customs systems.
2. **Quota linked to import performance:** Enterprises with import performance utilising quota in 2025 will automatically

receive an equivalent initial quota for 2026 without reapplication. Some enterprises may obtain additional quota on a 'more consumption, more quota' basis, while others may receive reallocated quota.

### (2) SLIDING-SCALE QUOTA

On March 16, 2026, the NDRC released a notice on **2026 Sliding-Scale Quota for processing trade imports outside the one percent TRQ**, setting the total volume at **300,000 tonnes**, to be allocated based on contracts. Main features included:

- **Earlier issuance:** announced in March, among the earliest in the past five years
- **Increased volume:** 300,000 tonnes, 100,000 tonnes more than in the previous two years
- **Longer validity:** quota certificates valid for three months from issuance, one month longer than before
- **Simplified application:** Continuation of the application-based system introduced in 2025.

## CONCLUSION

In 2025, China's imported cotton market featured **sharply contracting import volumes, restructured origination, and persistently low prices**, reflecting profound adjustments in domestic demand and international supply chains. Divergent trade patterns and falling port inventories further confirmed subdued import market conditions.

The optimised 2026 quota policies maintained market stability while offering enterprises a more flexible procurement space to cope with volatility and improve raw material layout. Going forward, as policy effects take hold, international markets evolve, and domestic downstream demand recovers, China's cotton imports are expected to stabilise gradually with a more optimised structure, providing a supportive force to the high-quality development of the industry.





# Shifting from Ample Supply to Tight Balance

COTTON & TEXTILE INDUSTRY SERVICE CENTER, CHANGJIANG FUTURES

In the first quarter of 2026, China's domestic cotton spot market has experienced a profound shift from temporary oversupply to a medium to long term tight balance. Currently, the spot price of domestic Type 3128B lint has stabilised at around 16,800 yuan per tonne. Commercial inventories are steadily declining and downstream spinning mills' operating rates are high. Coupled with anticipated lower planted area in Xinjiang and growing expectations of production cuts in major global producers, the market's supply-demand structure has clearly reached an inflection point.

## 1. SUPPLY SIDE: DOMESTIC OUTPUT CONTRACTS, GLOBAL PRODUCTION ENTERS DOWNTURN

### Domestic Supply: Xinjiang Area Control Takes Effect, Output Falls YoY

As the world's largest cotton producer, China's cotton supply is highly dependent on Xinjiang. In 2026, explicit area controls have been implemented, targeting a reduction to 36 million mu, a decrease of 5–7 million mu (or over 10 percent) from 2025. While the actual adjustment may be limited, output is expected to fall by around 300,000 tonnes under similar weather conditions.

Growing costs have also risen, with fertilisers, labour, and other expenses increasing by 120–150 yuan/mu, pushing expected seed cotton purchase prices to 6.8–7.5 yuan/kg, forming a floor for spot prices.

As of the end of March, the volume of cotton inspected nationwide exceeded 7.6 million tonnes, up 12.3 percent on the year. Commercial inventories stood at 5.04 million tonnes but have entered a sustained destocking phase, with monthly declines widening. In March, an additional 300,000 tonnes of processing trade import quota was

issued, providing short-term supply relief — but this is a targeted measure that does not alter the medium to long term trend. Despite a large increase in output last year, total industrial and commercial inventories by mid-March were 6.133 million tonnes, down 293,500 tonnes from the previous month and 1,500 tonnes lower on the year, indicating strong spot market consumption.

### Global Supply: Major Producers' Output Down, Weather Risks Intensify

April forecasts from the International Cotton Advisory Committee (ICAC) projected a fall in global cotton production of four percent year on year to 24.9 million tonnes, driven by low cotton prices discouraging planting in major producers. Among these, Brazil and Australia showed the sharpest declines in output due to price and demand headwinds. Chinese output is expected to drop by five percent amid Xinjiang area controls. US farmers are shifting to corn and soybeans, pressuring cotton production (March planting intentions showed area increases, but uncertainties remain). The top five producers (China, India, Brazil, US, and West Africa) account for 78 percent of global output, so their performance dominates the global supply landscape.

## 2. DEMAND SIDE: ROBUST DOMESTIC RECOVERY, SUBSTITUTION WEAKENS

### Seasonal Rebounds for Textiles & Apparel, Capacity Expansion Supports Cotton Consumption

In 2026, domestic cotton consumption will remain robust. The value of retail sales of clothing, hats and shoes, and textiles goods reached 283.14 billion yuan in January–February, up 10.4 percent on the year, far exceeding average retail growth. The industrial chain resumed work rapidly after the Spring Festival. By late March, composite yarn operating rates were 57.74 percent and those

for pure cotton mills were 60.6 percent, both above historical seasonal levels. Yarn and fabric sales rates exceeded 100 percent, with finished goods inventories falling to multi-year lows.

Xinjiang spinning capacity expansion is the key driver of cotton demand: capacity is projected to reach 40 million spindles within two years, raising local conversion rates. Beijing Cotton Outlook foresees that domestic cotton consumption in 2025/26 will reach 8.88 million tonnes (+10.3 percent year on year), while the figure in 2026/27 is placed at 8.85 million tonnes, indicating steady and rigid growth.

### **Substitution & Foreign Trade: Higher Chemical Fibre Costs, Improved Export Orders**

Conflict in the Middle East has boosted crude oil prices, driving up costs for polyester staple fibre, PTA, and other chemical fibre raw materials. This has weakened cotton's substitution temporarily, with mills increasingly shifting to more cotton and less polyester.

On the external front, Sino-US tariff changes have stabilised, and trade with the EU improved. Textiles and apparel exports rebounded, with January–February figures rising sharply from 2025. Overseas demand has become an important incremental source of consumption.

## **3. HEALTHY INDUSTRIAL CHAIN PERFORMANCE**

Operating rates and inventory changes across the cotton chain are key barometers of spot supply-demand strength. In Q1 2026, the sector showed a cycle of rising operating rates plus falling inventories, confirming both downstream demand recovery and upstream supply optimisation.

**Operating Rates: All Segments Rebound, Mills Run at Full Swing Spinning (mid-stream):** Operating rates continued to recover, becoming the core support for cotton demand. Pure cotton mills' rates reached 82.6 percent in late March, the highest level for Q1 in three years. Weaving recovered synchronously; fabric mills' operating rates hit 60.44 percent,

with improved orders unlocking capacity and thereby driving upstream cotton demand.

**Garments (end-market):** A steady rebound was observed, showing resilient terminal demand. Q1 average operating rates for domestic apparel firms reached 78.3 percent (+6.1 pts YoY). Of those, sportswear and home textile mills' rates were higher than 85 percent (attributed to sufficient orders), while the level for small and medium apparel firms was 70 percent (+20 pts from before the Spring Festival). The recovery of terminal demand has provided support for operating rates throughout the industrial chain.

### **Inventory Levels: Commercial De-stocking Faster, Structure Improves**

Yarn & fabric inventories dropped to multi-year lows with notable de-stocking results. By late March, cotton yarn inventories were equivalent to 15.24 days of mills' production capacity, and 24.54 days for cotton fabric inventories, both below three-year seasonal averages. The 'producing according to sales' model adhered to by mills kept sales rates of yarn and fabric above 100 percent, as they rapidly digested stocks and lay ground for future restocking and higher cotton demand.

**Garment inventories:** Turnover accelerated, and pressure eased. By the end of March, stocks of finished goods were at 42.8 days' worth of production, down 9.6 percent year on year, and down 7.3 percent on the month, showing good de-stocking results. As the spring 'rush season' for apparel commenced, faster end-market sales lifted purchasing appetites, creating a self-reinforcing destocking loop across the supply chain.

## **4. COTTON SUPPLY-DEMAND OUTLOOK**

The cotton spot market is completing a critical transition from surplus to tight balance. In the short term, inventories are ample and prices are stable to firm; while in the medium to long term, domestic output contraction, a widening global supply gap, and resilient demand will keep the market structurally strong. For the industrial chain, firms should optimise inventory management and lock in raw material costs to navigate price volatility and supply tightness.

# Research Progress and Application of Cotton Breeding Technologies

XINJIANG LIHUA (GROUP) CO., LTD.

Zhao Haiquan



Cotton is the most important natural fibre crop in the world, with an annual international trade value exceeding 14 billion US dollars, occupying a crucial position in the global textile industry and agricultural economy. At present, cotton production is facing multiple challenges, including a narrow genetic basis, intensified climate change, frequent abiotic stresses, and the difficulty of synergistically improving yields and fibre quality. With the rapid development of genomics, biotechnology and information technology, cotton breeding is transforming from traditional empirical breeding to precision, high-efficiency and digital-oriented breeding. This paper systematically reviews the latest advances in key cotton breeding technologies at technical development levels, providing a reference for promoting innovation in cotton breeding and the high-quality development of the industry in China.

Seed purity is fundamental in ensuring stable yields and superior quality of cotton varieties. Natural outcrossing and mechanical contamination during long-term cultivation tend to cause variety degradation, affecting the stability of yields and fibre quality. Traditional purification and rejuvenation rely mainly on field phenotypic selection, which is time-consuming and inefficient. With the development of molecular techniques, SSR markers, SNP chips and other technologies have been widely used in cotton seed purity identification, enabling rapid and accurate detection of off-type plants and construction of variety fingerprints. Whole-genome and pan-genome studies have further enhanced the detection of genetic variations, making variety purity evaluation more efficient and reliable, thus providing important technical support for elite seed propagation.

Heterosis utilisation is an important approach in improving cotton yields and stress resistance. Hybrid cotton exhibits significant

advantages in yields, fibre quality and stress tolerance. At present, three main methods are adopted for cotton hybrid seed production: manual emasculation, cytoplasmic male sterility (CMS) and genic male sterility (GMS). With technological advances, gene editing has been applied to create male sterile materials, and technologies such as drone pollination and intelligent-assisted pollination are being gradually promoted, effectively alleviating the problems of low efficiency and high costs in manual seed production and driving the large-scale and industrialised development of hybrid cotton.

Transgenic pyramiding breeding is an effective strategy for the synergistic improvement of multiple resistance traits. Through gene stacking, several elite traits such as insect resistance and herbicide tolerance can be integrated into a single cotton variety. To date, Bt insect-resistant cotton has evolved from single-gene varieties to multi-gene stacked cultivars, with higher insecticidal efficiency and longer durability, significantly reducing pesticide application. Meanwhile, disease resistance and stress tolerance traits have been gradually improved. Chinese scholars have developed new germplasm resistant to multiple insect pests and tolerant to two herbicides simultaneously. However, transgenic varieties still face challenges such as strict regulatory approval and increasing risks of pest and weed resistance, requiring coordinated application with integrated pest and weed management strategies.

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Molecular marker-assisted breeding serves as the core technology for precise selection. Marker-assisted backcrossing, genomic selection and other techniques have been widely used in cotton breeding, enabling accurate screening of target genes in early generations and greatly improving breeding efficiency. Through genome-wide association studies and QTL mapping, numerous loci associated with fibre quality, yields and stress tolerance have been identified, providing valuable genetic resources for trait improvement. High-throughput SNP chips and genomic selection models allow simultaneous prediction of complex traits including yields and quality, laying a data foundation for smart breeding.

Smart breeding represents the digital development trend of cotton breeding. By integrating artificial intelligence, big data, drone-based phenotyping, the Internet of Things and digital twin technologies, cotton breeding is gradually shifting from 'empirical selection' to 'precision prediction and design'.

Deep learning models efficiently decipher the relationships between genotypes and phenotypes, and high-throughput phenotyping platforms achieve non-destructive monitoring across the whole growth period. Digital twin technology simulates cotton performance under diverse environmental conditions, drastically shortening the breeding cycle. Smart breeding has become the digital core throughout the cotton breeding chain, driving a leap in breeding efficiency.

Gene editing is a cutting-edge technology for precise cotton improvement. The CRISPR/Cas system, featured by high efficiency, precision and easy operation, has been successfully applied to the improvement of fibre quality, stress tolerance, plant architecture and other traits. New technologies such as base editing and prime editing have further enhanced editing accuracy and reduced off-target effects. DNA-free editing systems are more conducive to the safety evaluation and commercialisation of new varieties. Chinese scholars have made important progress in innovating cotton

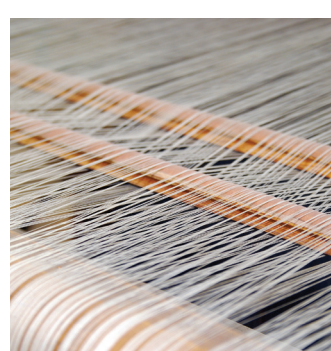
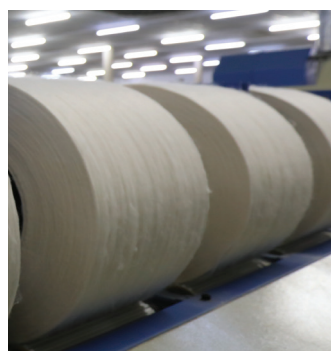
gene-editing tools and improving agronomic traits, offering new solutions to break through bottlenecks in traditional breeding.

Haploid breeding and speed breeding are key technologies to shorten the breeding cycle. Haploid technology can obtain fully homozygous materials within 2–3 generations, significantly accelerating the fixation of elite genotypes. China has successfully established a maternal haploid induction system in cotton, providing technical support for rapid homozygous breeding. Speed breeding, by optimising light and temperature conditions, increases the annual number of cotton generations from 1–2 to 3–5. Combined with molecular markers and gene editing, it can further compress the breeding cycle and form an efficient technical system.

Ecological breeding is an important strategy to address climate change and ensure sustainable cotton production. Stresses such as high temperatures, drought and salinisation have severely impacted cotton yields and quality. Centred on adaptation to target ecological regions, ecological breeding improves stress resistance genes and optimises trait combinations to enhance varietal tolerance to climatic adversities. Using multi-environment trials, genotype-by-environment interaction analysis and digital twin simulation enable precise matching of varieties to environments, boosting stable yields of cotton under complex climatic conditions.

In summary, modern cotton breeding has formed a new pattern of multi-technology synergistic development. Traditional breeding provides basic genetic variation, purification and rejuvenation ensure varietal purity, hybrid and transgenic technologies achieve trait breakthroughs, molecular markers and smart breeding improve selection accuracy, and gene editing, haploid and speed breeding greatly enhance breeding efficiency. Ecological breeding guarantees varietal adaptability and safety. In the future, with the deep integration of multiple technologies, cotton breeding will become more efficient, precise and intelligent, providing strong scientific and technological support for the high-quality development of China's cotton industry.

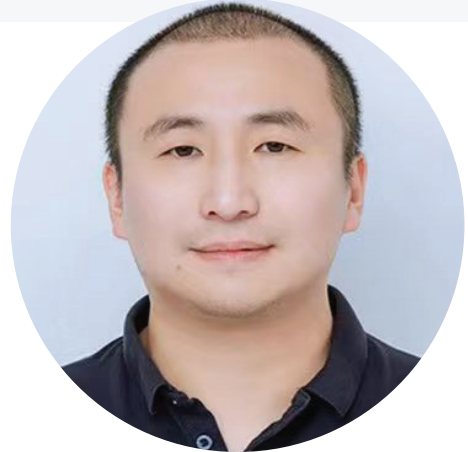
Founded in 2004, Xinjiang Lihua (Group) Co., Ltd. is a leading enterprise in China's full cotton industry chain, covering seed propagation, cotton planting, purchasing and processing, as well as spinning and weaving. The company owns 300,000 mu of elite seed breeding bases and 1.2 million mu of high-standard cotton planting bases, possessing large-scale and high-quality cotton breeding and production capacity, and playing an important role in promoting the modernisation of China's cotton industry.



## World cotton price finally bottoming?!

HOORAY TRADING (BEIJING) CO., LTD.

General Manager Horace Wang



### WORLD COTTON PRICE FINALLY BOTTOMING? HOW A FEW FLYING-UNDER- THE-RADAR-SHIFTS IN CHINA HELP TO RESHAPE THE GLOBAL COTTON AND TEXTILES MARKET

Admittedly we are at a very volatile and sensitive juncture due to whatever is happening at the Gulf and in the Strait, plus there is also President Trump's visit to China already bearing the tag "much talked about and delayed once, yet everyone wonders whether a second delay will happen". All of these are very influential macro news incidents and even "triggers" that are poised to change traders' minds and positions in an abrupt manner, potentially moving the market towards either side in a few ticks' time.

Having said that, the biggest accolade of the season is that for the first time in three years, the cotton market managed to gain ground despite yet another record crop (according to USDA's April WASDE, global production is 121.87 million bales versus 119.34 and 112.23 for the two previous seasons). This was achieved when the engine country China was not importing many extra bales to beat the expectations (again, according to USDA China is only projected to import six million bales versus 5.19 million last year and 14.97 million two seasons ago), and the world's textiles market was going through the hardship of extra tariffs for at least half of the season. To illustrate what leads us to this perplexity, I still tend to suggest the biggest key in the 2025/26 season is why cotton consumption and profitability in China and to some extent India manage to beat most people's expectations despite both countries' domestic cotton prices being way higher than all other competitors. This surely goes against Economics 101 by every standard, and underneath it might portray a very counter-intuitive trend in the long history of our traditional industry in a silent yet resilient way.

Kindly allow me to break down whatever happened in China first. Cotton acreage was higher and that was known by most Chinese traders since last summer. Based on optimal weather patterns and good forecasted yields, private estimates for the 2025/26 Xinjiang crop were raised well into the 7.3-7.5 million tonne ballpark. Yet this was a hard fact for the rest of the world to buy fully, that China would up the acreage and the crop size by a clear margin for the 3rd consecutive year, as the numbers for Xinjiang in the previous two seasons were already 5.6 and 6.6 million tonnes respectively. A third successive annual increase of 700,000-1,000,000 tonnes was never achieved in modern cotton history, not least while both the international and domestic prices were sitting at relatively low levels, arguably lower than anyone's production cost barring Brazil.

Nonetheless to their surprise, not only did the historical crop prove to be every bit as big as advertised, China's domestic market seemed able to absorb the selling pressure with relative ease. The season low (I know the season is not over yet but I guess it's safe to say that) was reached on the last trading day prior to China's National Day holiday, and the price started to gain footing only one month into new crop arrivals, when the harvest was over and massive physical selling should reign as the prime.

This obviously was not the only unorthodox thing. We then started to witness the rally from the end of November all the way into March, and the Chinese New Year holiday was unable

to put a dent in the strength. What made the increase more impressive was the basis rally along with futures (for instance the lead ZCE contract rose to 15,500 yuan from 13,500 and basis to 1,400 from 900). The more mind-boggling part is, with international prices almost unchanged during that span, we saw the arbitrage between ZCE and ICE as well as domestic cotton prices versus prevailing CIF FE landed values constantly on a rise, from 2,500 to 3,000 yuan per tonne then all the way to 3,500 and 4,000 yuan. They eventually pushed to a level that imports without quota at 40 percent duty were possible and even a practical choice for some consignment lots.

It's safe to say that for most of the past five years, 2,000-2,500 yuan per tonne-ish arbitrage was already considered a level that by and large denied Chinese spinners' profitability and would lead to our mills lobbying either for extra supply or policies to cap the difference. If measures were not enacted in time, their competitive edge would be lost to other Far Eastern or South Asian competitors, creating an accumulation of unsold yarn inventory which would eventually bring about a negative feedback loop forcing the price to capitulate, hence the arbitrage.

Nonetheless, the abovementioned scenario failed to repeat itself. Despite the growing volume of yarn imports from December to March (monthly volumes of 171.1, 164.5, 129.8 and 211.7 thousand tonnes versus 153.0, 95.1, 114.8 and 127.9 thousand last season), Chinese mills did not find themselves with

burdensome stocks. To the contrary, most of them secured orders well into May or even June.

Any sound explanations? Most traders and mills here would credit the dynamic changes in China due to the "Xinjiang Impact", plus a structural shift of domestic consumption both for raw cotton and at the retail level. When dynamics and structures change, the benchmark to judge the arbitrage will have to change accordingly.

For instance, traders have different opinions on what Xinjiang's core competitive edge is. Some say the affordable electricity price, some suggest subsidies, and there are others suggesting that Xinjiang mills run with ultra efficiency using the latest equipment, automation gears and AI assistance, so on and so forth. They may argue over which, but surely not about whether Xinjiang mills have the competitive edge, over eastern Chinese mills, and/or over other cotton importing textiles countries. Hence, the rising share of Xinjiang's consumption amongst China as a whole should enhance the country's overall competitiveness (albeit at some certain loss for the traditional or legacy eastern mills, which we'll discuss later). To illustrate Xinjiang's growth in a more visualized manner, please simply check the accompanying data published at the March CNCE meeting. Xinjiang yarn production has already recorded a four-calendar-year rise from 2022 to 2025, posting output of 1,889.3, 2,296.2, 2,763.7 and 3,354.5 thousand tonnes respectively.

Xinjiang Yarn Output (In KMT/Calendar Year) *All Fiber Blends						
Year	2020	2021	2022	2023	2024	2025
Output	1,919.7	2,236.0	1,889.3	2,296.2	2,763.7	3,354.5

Granted this number contains other fibres and blended yarns, but with a 20-percent yearly growth rate, combined with each year's Xinjiang crop figure and outbound cotton transportation data (which likely reached a high in the 2023 calendar year), it's safe to say that for 2026 Xinjiang's local cotton consumption (cotton to yarn) will be pushing into the 3.0-3.5 million tonne ballpark or more. This makes consumption in the whole of China — especially of non-imported cotton — close to 40 percent of the pie. And this is clearly a typical **quantitative change that leads to qualitative change**.

Another surprise that might take observers off-guard is, “The gain of Xinjiang is bigger than the loss of eastern China”, thus it is not a zero-sum production site change. Over the past 2-3 years, clearly we are hearing more eastern mills are closing down their cotton spinning operations, and some of the legacy names did not run even their Xinjiang units well enough. However, markets always compete and function with the old name declining as the new name arises, and this is especially the case in China and in Xinjiang. But the veteran mills are not willing to phase out easily.

Dealing with electricity disadvantage? They put up their own solar panels, and some use Solar Energy Storage Systems to balance the peaks/valleys of electricity supply.

Facing an aging labour force without replenishment? They are all in for automation, no matter cutting edge import equipment or domestic tuned gears. In extreme cases some even push the per 10,000 spindle labour number from around 50 people to the low 10s or even single digits.

Couple the above with these factors:

1) Chinese mills are still arguably the number one go-to destination for premium brands and products

2) There is very little concern for any Chinese mills over the consistent supply of electricity and other non-cotton fibres, as well as accessories, etc.

3) Chinese mills and downstream entities are among the last to worry about drastic forex exchange rates hurting their profitability (not to say they will not face the problem but relatively speaking it is at a manageable scale)

On top of what happened in the spinning sector due to the Xinjiang Impact, the whole Chinese textiles market went through major shifts as well. There are several trends for which we may or may not be able to find the hard data to back up.

a) China’s apparel and textiles industry is more reliant on the domestic market than exports (share wise not necessarily profit/margin wise)

b) There are enough online sales at the retail level to replace the traditional department store model, which was originally very similar to OECD countries’ business patterns and practices

c) Coupled with more online sales, consumers now (especially younger generations) could not care less about “brands” versus older buyers. Hence, a trend for more pieces/fibre consumption does not have to match with a rising turnover to be realised

d) Even for the export market itself, when you shift your customer base from OECD countries to Belt and Road Initiative countries, a lot of which happen to be developing nations, to net a similar export value, China is bound to export more pieces and more fibre, which has been the case since around 2018

年份	出口总额	一带一路国家	占比	OECD 国家	占比	其他国家	占比
2018	2767.9	1143.0	41.3%	1247.0	45.1%	377.9	13.6%
2019	2806.9	1263.1	45.0%	1263.1	45.0%	280.7	10.0%
2020	2912.2	1368.8	47.0%	1252.2	43.0%	291.2	10.0%
2021	3154.7	1545.8	49.0%	1293.0	41.0%	315.9	10.0%
2022	3409.5	1685.0	49.4%	1363.8	40.0%	360.7	10.6%
2023	2936.4	1591.4	54.2%	1074.8	36.6%	270.2	9.2%
2024	3011.3	1627.8	54.1%	1174.4	39.0%	209.1	6.9%
2025	2938.1	1673.9	57.0%	1047.2	35.6%	217.0	7.4%

These subtle underlying changes that might not even be fully backed by routine data analysis arguably build the foundation for Chinese cotton prices having bottomed out, despite a historically big crop and limited cotton import growth within the season. All we need is a few sparkles here and there to fan the flame. And the attempt to tame the growth of Xinjiang cotton acreage is surely one of these. Despite the market remaining undecided on the actual extent of the cut, as cotton is still the most profitable row crop and there are no similar alternatives for farmers, clearly the discussion of a potential reduction itself has already helped to build the strength of ZCE.

If you still fail to be convinced, not to worry, let me present another analogy for readers. The Chinese EV story and competitive edge is now

widely perceived by Western media and a good portion of the public; that's a thrilling story of the underdog pivoting to victory by going for the alternative route. However, underneath it is Beijing's push for better energy security (green energy over fossil fuels), coupled with Chinese entrepreneurs' efforts to polish their products relentlessly. By comparison, what is achieved in Xinjiang and other parts of China is not that mind boggling as the mills still use the same kind of technology to spin. The difference is just using a bit of extra green energy and running spindles a bit faster with a little less manpower.

We are at the stage where the fast morphing of Xinjiang's capacity and efficiency went from unknown from the outside, to gradually but steadily being an elephant in the room.



“I put 100% tariff on all Chinese cars coming in, and that’s destroying Europe,” Trump said in a phone interview with *Fox News*.

“They’re destroying Europe because they’re taking away so much business from [Mercedes](#) and [BMW](#),” Trump added before turning to the US market.

“And we don’t have any Chinese cars in our country because they would have destroyed [General Motors](#), [Ford](#), they would have destroyed these companies if they did it,” the US President stated.

# 'I don't want to give it up': Ford CEO Jim Farley has been driving a Chinese EV for months

In a recent podcast appearance, Ford CEO Jim Farley talked about loving his Xiaomi SU7, a Chinese EV.



Ford CEO **Jim Farley** [Photos: Jeff Kowalsky/AFP/Getty Images, Michael Zhang/AFP/Getty Images]

Let's stretch the argument a bit into India. Their mills are also using cotton priced higher than world values due to CCI and the MSP function in a nutshell. India was also charged a 50-percent punitive tariff by the US government for a few months (Aug 2025-Feb 2026). But their consumption is still clearly better than regional competitors or even Turkey. One would find similar ingredients in their success and competitive edge — a fast-growing economy blessed with a higher share of domestic demand, a relatively stable forex reserve for them to perform imports and exports, and a decent energy supply to ensure its mills and textiles factories keep running.

All in all, the season's not over. Macro factors (especially how things play out in the Middle

East) still have the power to shape the industry's prospects from hand to toe, both for the cost of production and the affordability of consumption at the retail level. China has not increased its imports significantly yet, which used to be the key for every major cotton rally in the past two and half decades. Clearly there are still major plays to be presented in the incoming 2026/27 season, and uncertainties are arguably more rather than less. However, it is likely that with the global crop on the trajectory to be smaller year on year, the market showed its resilience to provide a good level of consumption as a footing to rebound. What happened in China proved it's not only wishful thinking, period.

# Cotton Price: Upward Momentum Eases

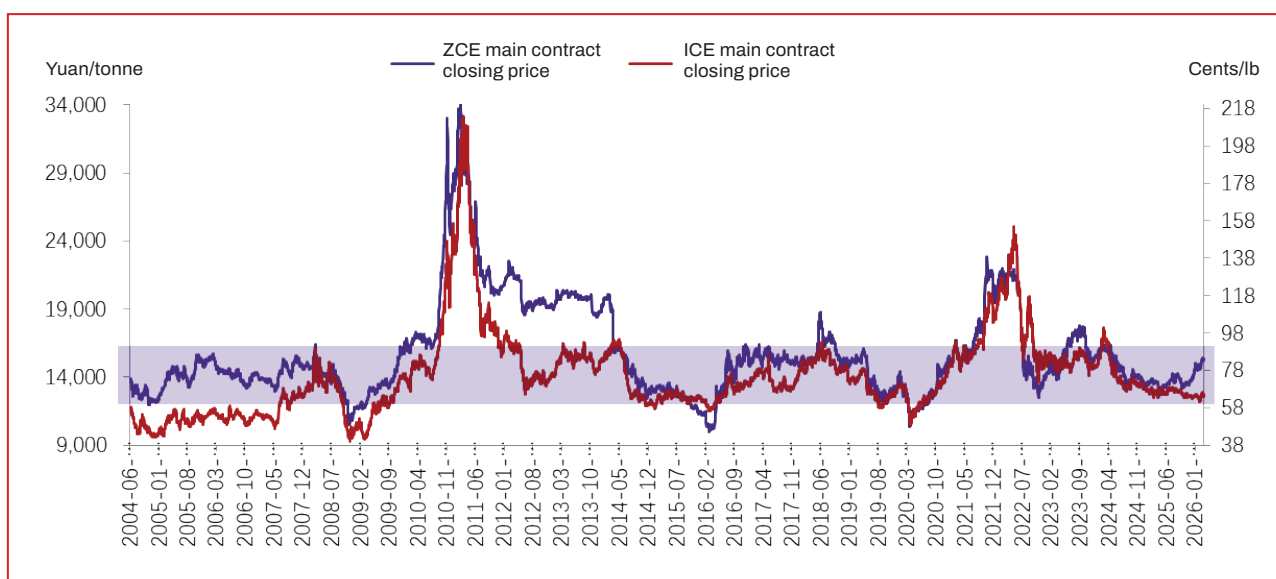
GUAN HENG

At the time of writing, domestic Zhengzhou cotton prices have approached the 16,000 yuan/tonne mark, while US cotton has crossed the 70-cent threshold. The uptrend in the cotton market has not reversed yet, but as prices keep rising, the risk-reward ratio and trading certainty of long positions have both declined. With original drivers gradually being digested and marginal bullish effects weakening, cotton's upside elasticity is limited. Whether prices can break through the range and extend the rally depends on new catalysts from macroeconomics, the industrial chain, or weather conditions. The market has entered an observation phase where the trend remains intact but awaits new variables.

## 1 UNDERVALUED STATUS OF COTTON CLOSE TO FULL REPAIR

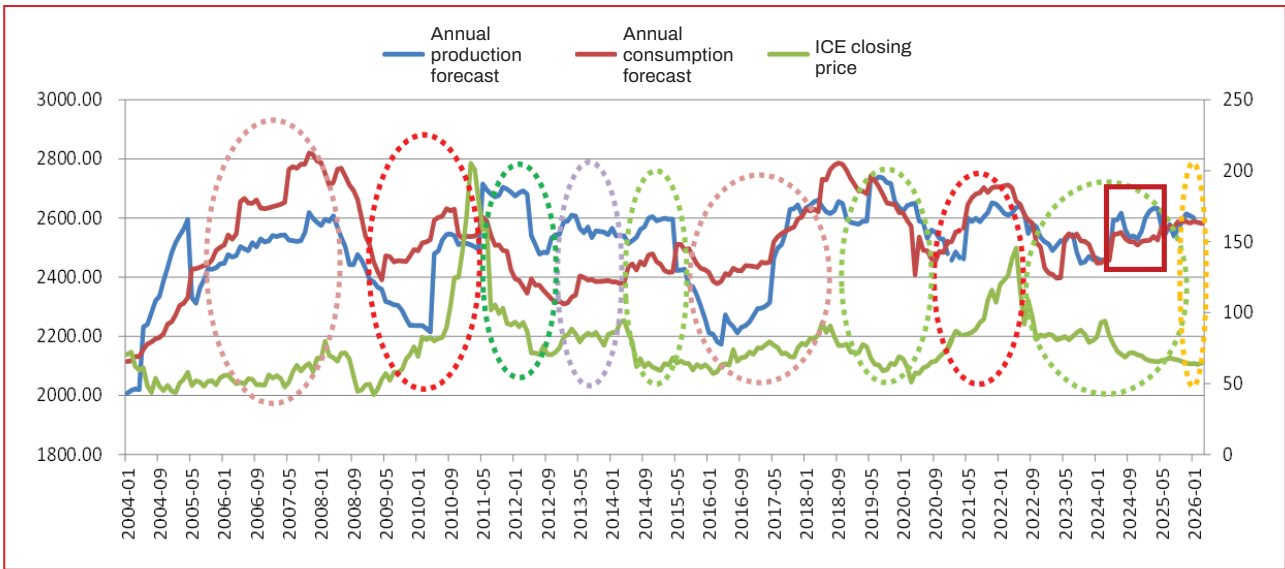
### 1) The absolute price has rebounded sharply from historical lows

Historical low prices laid the foundation for this round of rallies, but as Zhengzhou cotton rose close to 16,000 yuan/tonne, its undervalued status has been largely corrected. The recent high of the lead Zhengzhou cotton contract stood at 15,765 yuan/tonne, up nearly 30 percent from the low in April last year, and around 20 percent higher than early October at the start of the processing season.



### 2) Loose global supply and demand do not support a trending rally

The USDA March supply and demand forecast for the 2025/26 marketing year showed that global cotton output increased by 247,000 tonnes to 26.343 million, remaining at a five-year high. Consumption was revised down by 30,000 to 25.817 million tonnes, the second highest in five years. The figure for ending stocks rose by 278,000 to 16.631 million tonnes, also a five-year high. Static supply-demand data remain bearish, though dynamic forecasts are better than the same period last year. The supply-demand balance does not support a strong trending rally, only a higher price pivot.



**3) Domestic strength vs. external weakness has been priced into spreads**

**US Cotton:** Demand is restrained, with export sales lagging historical averages, weighing on prices.

**Chinese Cotton:** Imports have dropped sharply since 2025, while demand is resilient due to cost and manufacturing advantages, leading to tight domestic supply.

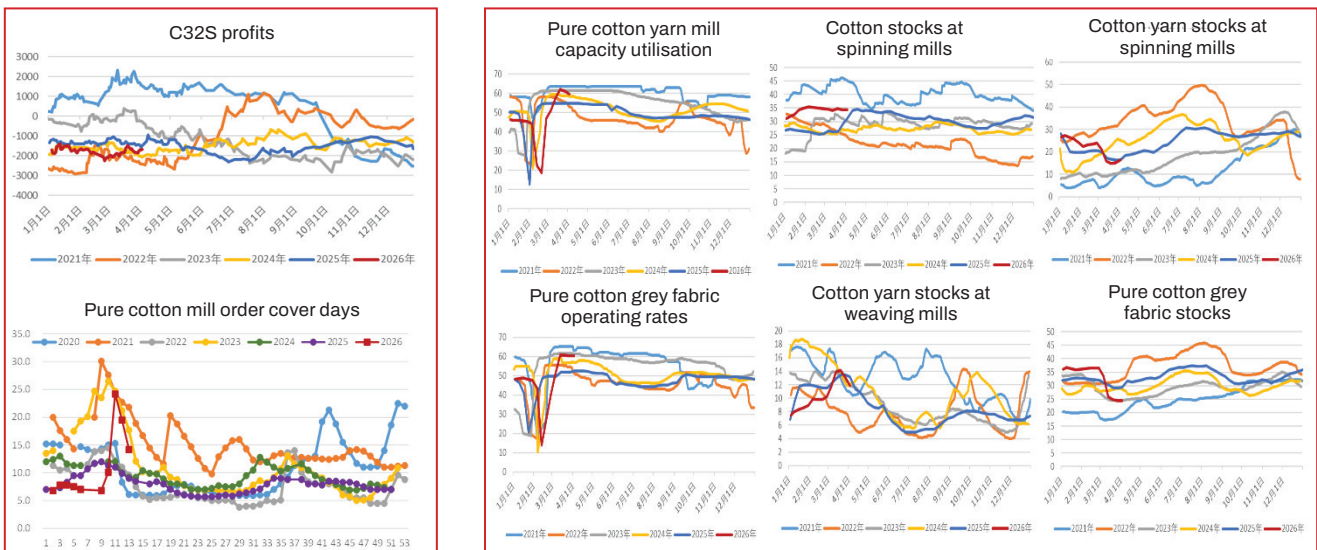
This divergence explains the strong domestic versus weak external price pattern. However, with the domestic-foreign spread widening to 4,000 yuan/tonne, importing low grade foreign cotton with a 40 percent tariff has become feasible, while cotton yarn imports are rising. Further gains in domestic cotton values now require a rally in overseas markets.

Recent improvements in US export sales and reduced net short positions from fund investors have supported a US cotton rebound, easing unilateral pressure on domestic prices. Still, a synchronised rally in both markets needs fresh drivers.

**2 FUNDAMENTALS REMAIN SUPPORTIVE, BUT LONG RISK-REWARD & CERTAINTY DROP**

**1) Robust downstream performance underpins spot prices**

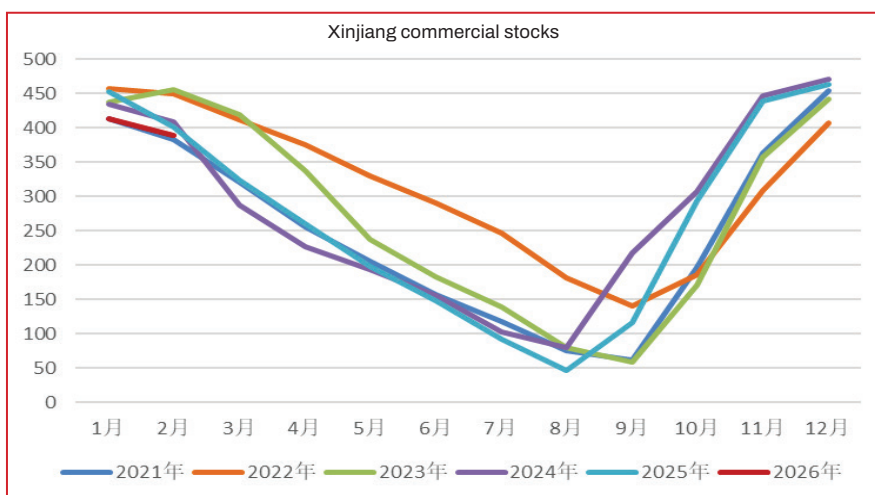
After the Spring Festival, the downstream sector entered the peak season with strong orders, operating rates, and profits. Spinners restocked moderately before the holiday and have maintained inventories by buying on dips. Weaving mills' restocking is nearing an end. Finished goods inventories at both spinning and weaving enterprises have clearly declined.



## 2) Structural inventory tightness persists

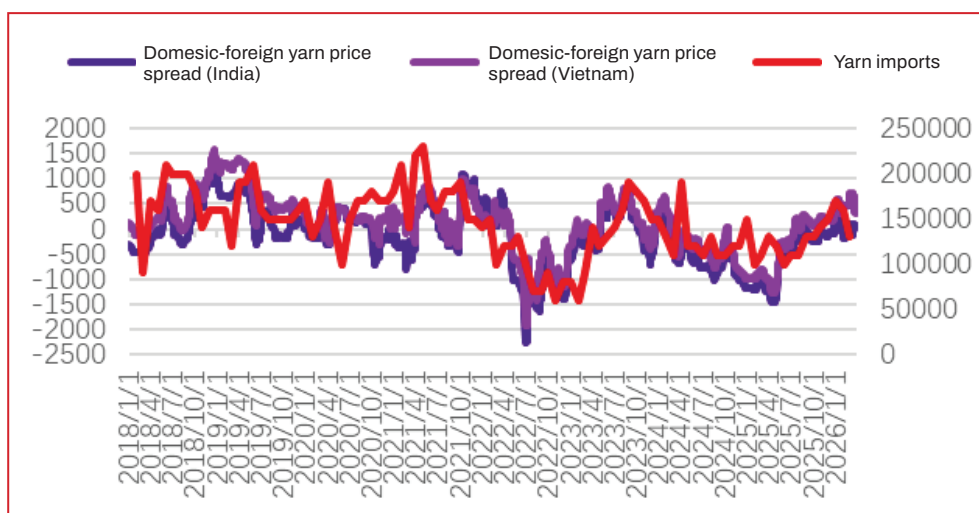
Strong consumption has fuelled expectations of tight year-end domestic inventories. By the end of February, national commercial and industrial stocks were 6.427 million tonnes, down 19,300 tonnes year on year and 362,900 tonnes on the month. Among those, Xinjiang commercial inventories amounted to 4.072 million tonnes, down 274,500 and 386,100 respectively. The volume of cotton inspected nationally had reached 7.48 million tonnes by late February, up 850,000 tonnes from the same moment in 2025, and is expected to remain ahead until work finishes.

Domestic supply pressure from higher output has mostly been absorbed. Without increased imports or State Reserve releases, inventories — especially in Xinjiang — are expected to stay tight.



## 3) Additional processing trade quota issued; watch closely for more policies or yarn imports

On March 16, China announced an extra 300,000 tonnes of processing trade quota — earlier than in previous years and higher than the 200,000 tonnes issued in 2024 and 2025. The policy provides support to textiles enterprises amid wide domestic-foreign price spreads and has also boosted US cotton prices. Since quota is restricted to specific users, it has exerted limited near-term pressure on domestic prices. Markets will monitor potential further measures, such as general trade quota or State Reserve auctions, as well as unregulated cotton yarn imports. By late February, cumulative cotton yarn imports in 2025/26 were 170,000 tonnes higher than the same timeframe a year earlier, presently having a modest impact but worth tracking going forward.



## 4) 2026/27 outlook: expected production drop and demand rise; focus on expectation gaps

The market anticipates a fall of production and rising demand in 2026/27. Firstly, the US Agricultural Outlook Forum projected a global cotton supply shortfall of 890,000 tonnes — the largest in five years. Output is expected to fall in China, Brazil, and the US. China may reduce Xinjiang planted area; US growing regions face drought; Brazilian acreage is declining.

The latest US prospective plantings report put cotton area at 9.64 million acres, up 3.9 percent on the year and above market forecasts. Though bearish, the price reaction was muted, as weather has become the key variable. Severe drought persists in key US growing areas, with markets also watching a potential shift to El Niño conditions.

Rising crude oil prices have lifted fuel, fertiliser, and pesticide costs, which may reduce input usage and weigh on yields. Actual output changes will determine whether cotton extends gains or corrects lower. Close monitoring of planted area, weather, and expectations versus reality is critical.

## SUMMARY

After approaching 16,000 yuan/tonne, the repair of domestic cotton's valuation was nearly complete, and near-term buying appeal disappeared. Prices may fluctuate or even weaken temporarily. However, domestic consumption, spot inventories, and fund positioning all continue to provide support to cotton, leaving room for further gains. With the supply situation for 2025/26 becoming clearer, the outlook for downstream consumption will be key. In the absence of significant fundamental shifts, the influence of macro factors and fund flows may be amplified. In addition, the market has already priced in expectations of inventory drawdowns in 2026/27. Going forward, planted area, weather conditions, and the divergence between expectations and actual events will be the core trading focus.

## DISCLAIMER

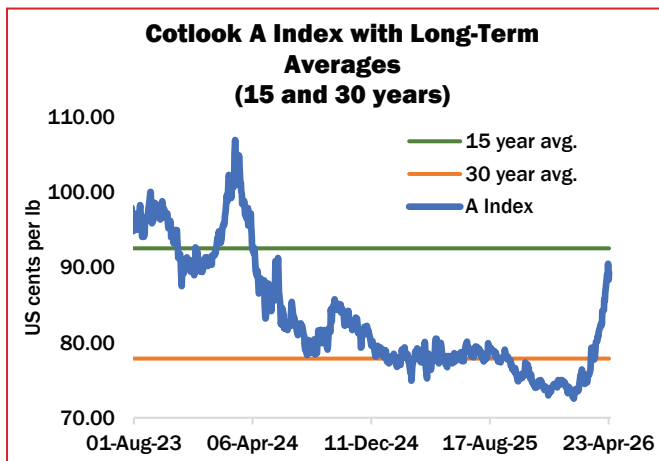
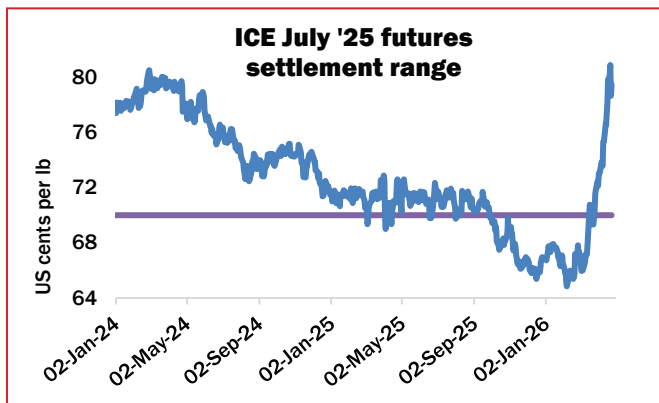
All information is based on public data from exchanges, media, and information providers, or obtained through legally authorised channels. Analysis and views are for reference only and do not constitute investment advice.





## INTERNATIONAL COTTON PRICES

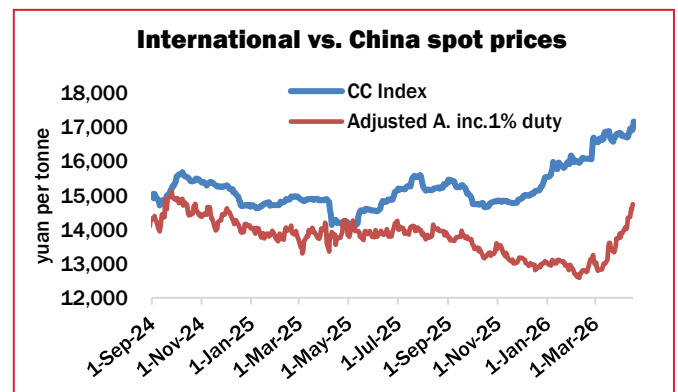
Following a lengthy period of stability since the last major international meeting took place in Guangzhou, world cotton prices have presented a much more volatile appearance in recent months. Nearby ICE futures, which had moved within a narrow range for some considerable time, rallied sharply from late February, and at the time of writing, the July ICE contract stands close to 80 cents per lb, while the Cotlook A Index has moved to its firmest level since May 2024.



The advance was prompted by several factors, as the first signs of strength in global values emerged in late February, following the US Supreme Court's decision to nullify almost all of the 'reciprocal' trade tariffs introduced by Washington last year. China's subsequent return from the Lunar New Year break then coincided with reports of higher domestic retail sales and improved consumer

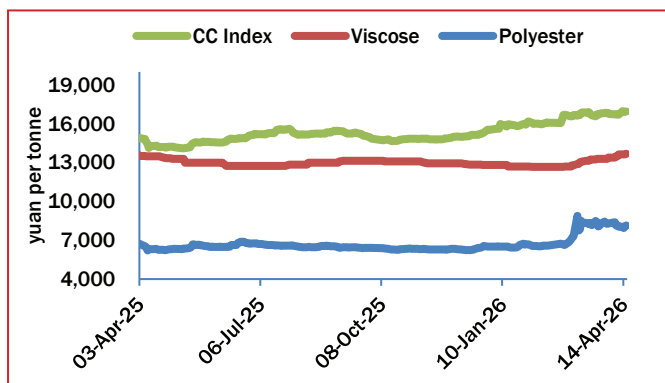
spending over the holiday period, while in mid-March, the National Development and Reform Commission announced that Sliding-Scale import quota had been allocated for 2026, earlier than in recent years.

At that time, the differential between Chinese and international cotton values (as measured by the Cotlook A Index, adjusted to comparable terms) stood at the equivalent of around 25 cents per lb. Buyers in China were keen to take advantage of the relatively attractive rates for imported lots, and a faster pace of import purchasing was observed. In the intervening weeks, physical values in China, as well as those on the Zhengzhou futures platform, rose sharply in reflection both of those drivers and the more positive mood observed elsewhere.

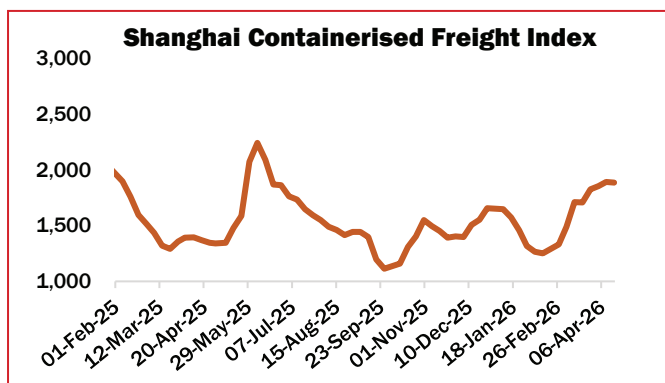


However, the major bullish influence on world values came from the commencement of hostilities in the Middle East, which aside from the clear danger to the inhabitants of the region, had wide ranging implications for the cotton textiles sector. The increase in oil values saw

the partial erosion of the price advantage for man-made fibres vis-à-vis cotton: from mid-February to mid-March, polyester prices in China advanced by almost 30 percent of their value. Asking rates rose to around 54 percent of those for cotton, the highest since April 2020, when cotton prices were falling sharply amid Covid disruptions.

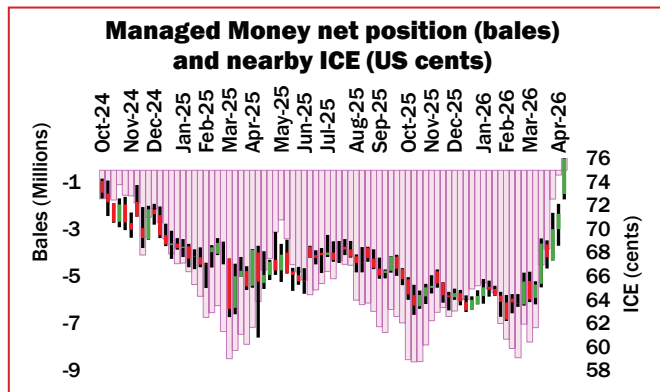


Retail buyers ramped up their nearby purchases in view of both higher polyester costs and vastly increased transportation charges, arising from the closure of the Strait of Hormuz, which not only necessitated the re-routing of many vessels but also brought the threat of limited - and therefore more expensive - fuel supplies. Importers of finished products, perhaps anticipating that the appreciation of freight charges was set to continue, sought the timely dispatch of considerable volumes to augment their inventories before costs became prohibitive. And amidst all these developments, projections of the global balance sheet were tightening. We explore the outlook for supply and demand in more detail below.



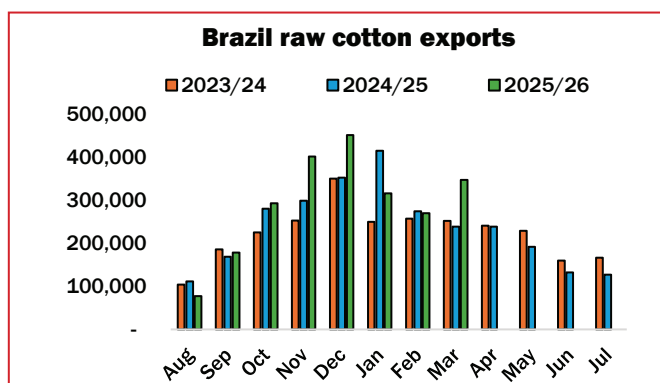
Finally, aside from the physical influences on raw cotton values, the behaviour of speculative investors in the ICE futures market at long last departed from the emphatically bearish stance that had been entrenched for a period of two years, since April 2024. The Managed Money short position was transformed from a recent high of almost eight million bales in February of this year, to a net long position of

3.45 million bales by April 21, providing further significant upward impetus to prices.

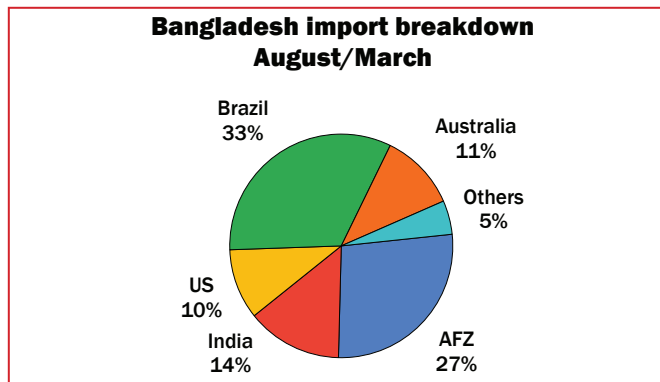


## IMPORT PURCHASING

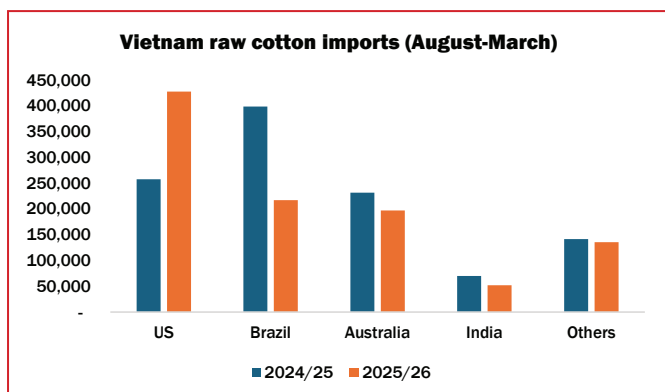
Despite the rise in raw cotton asking rates, import buying persisted for much of the period in view. Active purchasing was witnessed across most of the consuming world, mainly for Brazilian lint, on price grounds. In the season to March, Brazil exported over 2.34 million tonnes of cotton, up from 2.14 million tonnes in 2024/25. China was the principal customer, taking 29 percent of the total, versus 20 percent by the same juncture a year earlier.



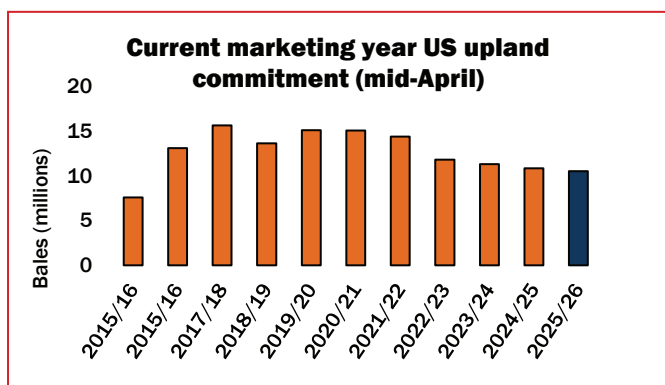
In fact, almost all the major destination countries increased their shares of the overall figure. In Bangladesh, for example, Brazilian overtook the African Franc Zone – which for some time had been the major supplier for the Bangladeshi spinning sector – to account for 33 percent of import arrivals in the August-March period. By comparison, Franc Zone lint made up 27 percent of the total, versus 40 percent by the same moment last year.



The exceptions were Vietnam and Pakistan, who reduced their purchases of Brazilian both in terms of volume and percentage share. In the former nation, buyers displayed a preference for US cotton. Downstream orders for yarn produced with lint from that origin accelerated, as manufacturers and retailers hoped to benefit from an as yet unconfirmed advantage for exporters to the US of products composed of supplies from the country.



Nevertheless, the overall pace of US cotton sales remained behind the previous year. Vietnam’s increased participation failed to offset the effect of lower purchases from markets such as China and Pakistan, and by mid-April, the total commitment for 2025/26 stood at 10.5 million running bales – the lowest for that point in the season in a decade.



Generally, though, mills receiving new orders found themselves in need of considerable volumes to fulfil their commitments, as spinners in many consuming centres had long been wedded to a just-in-time purchasing style, and raw cotton inventories were low. The strength of downstream demand was such that yarn values rose by at least the same degree as cotton prices, and spinners in most markets could achieve better remuneration than had been reported for some time.

However, after an initial flurry – and some perhaps optimistic suggestions that the appetite for purchases further down the value

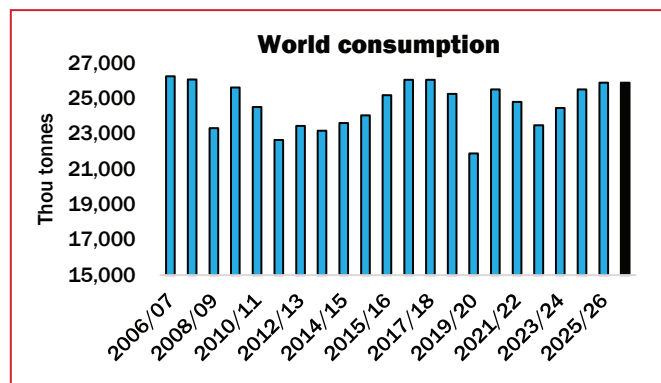
chain would be maintained into the latter half of the year – interest began to dissipate. The sustained rise of cotton values coupled with increased production and transport costs affected spinners’ profit margins, and the continuation of geopolitical upheaval impacted confidence throughout the sector.

## SUPPLY AND DEMAND OUTLOOK

With that in mind, the outlook for demand has been obscured by developments outside the cotton sphere, and opposing forces appear likely to influence mills’ use of the fibre in the remainder of the season.

A major supportive factor for cotton consumption is the sharp rise of polyester prices in tandem with oil values, as well as the interruption of polyester supply in some parts of the globe. Many spinners have adjusted their yarn blends in favour of cotton. However, the increase in energy prices not only leads to more expensive operating costs for spinners, but is also likely to feed into general inflation, following which interest rate rises may be considered necessary to curb spiralling costs. The fragile recovery of demand that had been evident earlier this year is therefore threatened, as consumers prioritise necessities over discretionary purchases such as clothing and home textiles.

For the time being, Cotlook forecasts marginal increases for global consumption in both the 2025/26 and 2026/27 seasons, to 25,886,000 and 25,892,000 tonnes respectively. Should the latter figure be achieved, it would represent the highest world consumption figure since 2017/18.



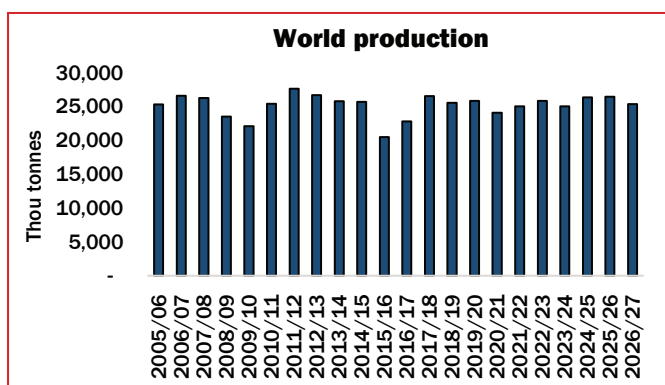
As for global output, farmers’ principal concern beside weather patterns this season will be the price of production, including fertilisers, as

roughly 30 percent of the world's supplies pass through the Strait of Hormuz. However, given the difficulties associated with attempting to forecast the timing for a resolution of the conflict, our assessments reflect the situation as it appears at the time of writing.

Chinese output has benefited from continued investment in cutting-edge technologies and a marked improvement in yields in recent years. Nevertheless, the government's intention to reduce cotton cultivation in low yielding, low water parts of Xinjiang, as well as an expectation of less helpful weather in the coming months, imply a decline for next season.

In India, the small-holder farming model that prevails in the country make an assessment for 2026/27 difficult to gauge, but at this stage most observers do not anticipate a reduction in area, owing in large part to two successful procurement campaigns conducted by the Cotton Corporation of India via a Minimum Support Price system. The Indian Meteorological Department's latest forecast for the monsoon season projects below average rainfall, which may affect output, but for now we envisage only a slight fall for the next growing cycle.

Growers in Pakistan, meanwhile, are expected to plant less cotton in 2026/27 than the previous season – but much higher local prices and good profits from early seed cotton sales so far this year have moderated the anticipated decline. Our estimates currently suggest a marginal increase in output resulting from better yields.



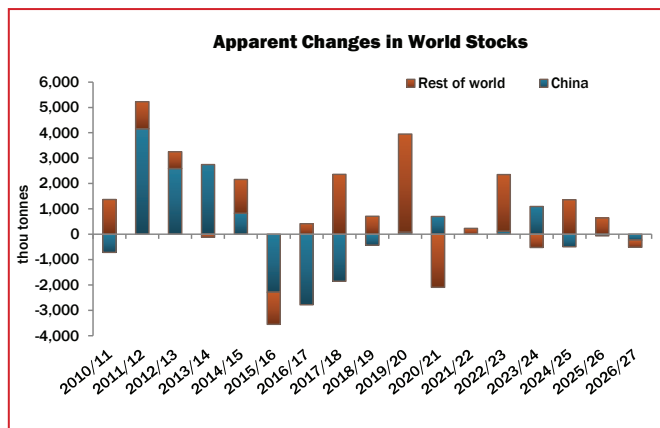
As for the world's major exporters, the relative profitability of cotton farming in Brazil encouraged another two-million-hectare plus

area in 2025/26, and good weather conditions have prevailed over the key growing regions so far. Our estimate is pitched at 3.85 million tonnes, in line with local agencies.

Cotlook's number for US production in the current season stands at slightly more than three million tonnes, while a fall of around eight percent is projected for 2026/27, to 2.78 million tonnes (12.75 million bales). Our estimate of planted area is close to that put forward at the Agricultural Outlook Forum in late February, but the prevalence of drought across the growing belt informed a higher figure for abandonment. Soils remain dry in the major cotton regions, and as ever climatic conditions during the summer months will be crucial to the eventual result.

Finally, in Australia, output is expected to reach one million tonnes in 2025/26 for the fifth consecutive season, though a considerable decline is imagined from the previous year. Higher production costs, exchange rate fluctuations and more limited water supplies for irrigation have all played a part in the reduction, and so far that pattern is expected to continue next season.

Overall, we anticipate a slight increase of cotton output in 2025/26, to 26.46 million tonnes, and a decline of four percent in 2026/27, to 25.37 million. Of course, the recent sharp and sustained increase in world cotton values may have had the effect of altering farmers' planting choices in favour of cotton. However, our current view of the global balance sheet indicates a rise of 578,000 tonnes in world cotton stocks at the end of the 2025/26 season, and a fall of 518,000 tonnes by August 31, 2027.





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