Cotton Marketing Weekly
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Cotton -The Fabric of Choice

After challenging contract price highs during the week, a combination of overbought conditions, coupled with more showers across Texas and the Southwest, trumped the market's push to higher ground and forced all contracts except July and October below the 90 cent level. Nevertheless, the price uptrend remains in place. However, the market is inspecting the lower end of the price range as opposed to the upper end and is working the 88 to 95 cent trading range. Thus, the bottom end of the range must hold to maintain the uptrend. Continued showers across Texas and the Southwestern Plains would choke the market and bring the mid-to-low 80's back into play. Mother Nature gave us the 90's and she appears to want to take them away. The principal message from this week's price break was that the market is reminding us that there is still time to make an average to better crop. Abandonment will be above average, but acceptable growing conditions along with a late fall can still allow for a crop as big as 21 million bales. Additionally, the MidSouth and Southeast crops could still break record high yields. Too, the recent price jump in the December futures contract above 90 cents brought in more acreage planted to cotton and could reach 13.8 million. Most are looking for an 18 to 20 million bale crop. Yet, Mother Nature's deck of cards could still shake out a crop as low as 16.5 million bales. Old crop prices will continue to be supported by demand, coupled with the on-call sales position. Demand for the new crop remains very strong and should support December futures at 86-88 cents through mid-July.

Exports continue to outpace USDA's prior projections. Weekly sales totaled 42,500 RB with Upland sales at 34,800 RB and Pima at 7,700 RB. Sales for the 2018-19 marketing year were 259,100 RB and were comprised of 226,700 RB of Upland and 32,400 RB of Pima. Shipments continue to outpace the USDA estimate, even its revised June estimate of 16.0 million bales. Weekly shipments of both Upland and Pima were 469,200 RB with Upland accounting for 459,900 RB. The most recent export report can be viewed at: apps.fas.usda.gov/export-sales/cottfax.htm

Mills, as expected, were aggressive on the week as July on call sales were reduced some 8,853 contracts. As of the most recent weekly report there were 25,797 outstanding contracts that must be settled (buying of futures). However, in that the report is released as of the prior week, it is certain that mills were very aggressive in Friday's trading. First notice day is Monday, June 25. Thus, mills have just one more week to fix all remaining contracts. Market volatility should be strong next week; however, it is likely that the high in July futures has already been established.

December can still move back to its high. The high close to date was 92.96 cents, established on Thursday of this week. As noted in its June supply demand report, USDA increased its estimate of U.S. exports to 16.0 million bales, up 500,000 bales from last month. That was carried through to U.S. carryover lowering it to 4.2 million bales. It is expected that U.S carryover will fall another 300,000 bales, down to 3.8 to 3.9 million bales. USDA's estimate of world carryover was 88.2 million bales. The June supply demand report can be viewed in its entirety at: **https://www.usda.gov/oce/commodity/wasde/**

Upcoming reports should be expected to see world carryover closer to 87 million bales. More importantly, world demand is very strong and the market will see world stocks continue to drop, approaching 82 million bales by 2020. Market prices have been near 79 cents for December 2020 and 83 cents for December 2019. Some of those gains were lost on Friday's break. Do not let those prices dissipate without exercising some price risk management practices to protect those prices.

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