Cotton Marketing Weekly
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Cotton is a Calling

Going into Friday's weekly close December cotton futures were holding well above the important 92 cent price support level, (91.50-91.80). This support as has been frequently discussed should continue to be very solid. Export sales and commitments, coupled with on-call sales versus on-call purchases, and a continuing strong demand base remain entrenched under the market and current prices. Too, spotty U.S. and international crop conditions add to the questions concerning both U.S. and world crop size. The 92-95 cent trading range will likely contain most if not all the trades in the coming two weeks as the market searches for direction from the supply side of the price equation. The demand side of price projections have heretofore been the leading price indicators. However, due the proximity to harvest and the 60-day window before peak harvest, it is typical for the market focus to shift to supply factors. Certainly, the U.S. crop, being three-four weeks late, continues to dominate international crop discussions. However, the other two leading producing countries, India and China are also facing smaller crops that forecast by USDA. Thus, the bullish price tone continues, despite prices trading near the lower end of the trading range.

For the second consecutive week sales to China dominated export news. Another week of strong sales to China is expected to be confirmed in next Thursday's weekly export sales report. Confirmed this week were net Chinese sales of 183,900 bales, compared to a net of 264,300 bales last week. Net weekly export sales on the week were 284,800 bales. Pakistan, Turkey, and Peru were the other primary buyers of Upland on the week. Pakistan's import demand remains very strong as yarn mills have been able to sell near 100% of their production to Chinese textile mills. In fact, Pakistani and Vietnam yarn mills are the major yarn suppliers to China. Export business has somewhat slowed to many countries as the coronavirus continues to be a problem in Southeast Asia and the Indian subcontinent. The slowdown has been more apparent in Vietnam, a major U.S. buyer than any other country. Nevertheless, demand remains robust as the slowdown has leveled off.

More importantly textile on-call mill sales continue to support the market's buying needs relative to its selling needs. Mill buying needs, according to mills on-call sales, are about 14.7 million bales versus the market's need to sell of only 3.17 million bales. Thus, the market is heavily skewed toward buying cotton, i.e., cotton futures contracts. This, of course, implies market prices are well supported at the current trading level. Cotton's potential to move higher and touch the magic dollar level, as stated last week, continue to be dependent on the size of the U.S. crop. Certainly, a crop larger than the current forecast of 18.5 million bales would severely hinder the market's ability to climb above 96-97 cents. However, should the crop appear to be smaller then the dollar play is back on the table.

The upcoming week shows a lot of cloud cover and more than a few nighttime temperatures below 60 degrees, not good for cotton. Too, the cloudy conditions are joined by potential moisture in both the Southeast and Midsouth, again not good for cotton yields. At this stage of the season cotton desperately needs hot clear days to develop the top crop into fully harvestable bolls.

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