

Cotton Marketing Weekly  
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Cotton is a Calling

Demand Demand Demand.....Strong and Growing Demand Set for Three Years

Triple digits down and triple digits up, just another normal week for cotton trading. ...and prices ended the week far better than they started, and on the way to a new contact high in December. The December settlement was only "95.99," but within 17 points of the life of contact high trading price. The market had an excellent export week and on-call sales continue to keep a fire burning under prices. Possibly, there was yield damage in Missouri and Tennessee, but only slight, if any. Weather remains the determinate of supply as relative cooler temperatures are prevailing, although there are some mid to upper 80's expected across much of the belt at least a portion of next week. Nearly all the U.S. crop will be dry during the coming week and that will offer very welcomed relief. Demand continues to provide a bullish flavor to prices as China, Turkey and Pakistan look for U.S. cotton. Vietnam will be back for volume. China will continue to be a buyer. The 95.60-96.40 cent band sits as the next hurdle to clear, before a 97-98 cent barrier will have to be jumped to satisfy Dollar Bill, or Bullish Bill. The market must come to grips with the fact that some 14.9 million bales of cotton are yet to be fixed by buying futures contracts versus only about 3.2 million bales to be fixed by selling futures. Demand strongly favors the market bulls. Nevertheless, outside factors can negatively affect an otherwise very bullish market.

Demand continues to rule, although transportation/shipping problems may soon limit the pipeline to the retailer and negatively impact cotton demand. Yet, for now mill margins continue profitable, even at the 92-95 cent level. However, yarn demand is on a strong upward growth path that should continue for another two to four years. Most mills are hoping March futures return to 88 cents, having raised their bidding one cent higher from 87 cents. Cotton fundamentals do not support a price retreat to that level and the March 2022 contract will likely hold above 91 cents, probably higher. In fact, March futures will follow the lead of December once December goes First Notice Day. While some mill fixation was evident during this week's selloff, mills failed to take advantage of a golden opportunity to fix prices some 500 + points below today's market, i.e., they missed a truly unusual price dip just because they were hoping to save 100 points lower.

Online sales companies have become the world's apparel store. Coupled with this, the coronavirus has created a strong and growing demand for cotton clothing, cotton personal care items and medical supplies. This represents essentially a new demand for cotton and will be long term in nature.

Weekly U.S. net export sales totaled 368,900 bales (Upland 345,400, Pima 23,500). China purchased 223, 500 bales followed by Turkey-52,700 and Pakistan-36,200. Vietnam, one of the three major markets for U.S. cotton is now active in looking for cotton.

My apologies for a bit of a tweeting misunderstanding. I think my brethren and I were writing about different situations. Likely, clarity failed me. Based on my understanding of truly legendary state Cotton Specialists, a drop in the temperature of an actual cotton boll (cotton seed) below 50 degrees for two consecutive hours causes the seed in the respective boll to cease producing fiber. An agronomist I am not! Anyway, those same Cotton Specialists, now retired, cautioned me to understand that cotton fact as I attempted to forecast U.S. cotton yield. Again, I am not an agronomist. Too, most feel, today's seed varieties are truly unprecedented and are likely cotton's most valued resource. Possibly these new varieties have overcome the cold weather concerns mentioned.

The path of least resistance for prices is up. Thus, cotton plantings for the next three years will likely be at least one million acres above current year plantings. The demand will be there. But remember, cotton is a commodity. Do not get caught thinking there is a new price plateau for cotton. Again, cotton is a commodity: long term, it will be produced by the least cost producer--and the U.S. does not hold a comparative advantage in world cotton production. Too, bamboo, and other natural fibers are knocking at the door.

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