# Cleveland on Cotton: Market Set to Challenge 18 Cents

**November 01, 2021**

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Greek mythology taught us that the legendary Icarus flew so high that the Sun melted his wings and he crashed to Earth. The Greek cotton industry is in a revival today, thanks to demand, and Icarus still soars.

The old crop December futures contract had an impressive week as it broke above its price consolidation mode and moved to higher territory. While it is too early to suggest strong price support rests at the 113-cent level, at least there is mild support there as the contract proudly portrays its new life of contract high close of 114.85 cents.

Too, the market impressively fought off challenges to send prices below 113 cents and closed in the upper portion of the Friday trading range. This new high close has positioned the market to challenge the 118-cent price level which, if successful, would open the door to a challenge of 125 cent mark.

The market continues to get bullish support from the export market, although there are more than a few chinks in the export market’s armor. However, the pure fundamental fact is that on-call sales for the 2021-22 marketing year continue to increase and far outpace on-call purchases.

The current scenario is very bullish for prices. While the on-call discussion is a broken record to many, and new to many others, it is nevertheless an old-old cotton fundamental that merchants and domestic mills try to hide from growers.

Their collective why is senseless and causes them to error on the side of suspected market manipulation. Too, in the spirit of a transparent marketplace, one would think those cotton sector members would be strong advocates of market transparency.

The on-call ratios are very bullish. Yet, the cotton market does need other bullish fundamentals. Demand does remain strong but is beginning to come into question. However, yarn prices suggest demand is a bullish for cotton prices. Trading at 118-125 cents seems farfetched, but many bailed out in the high 80’s, a boatload jumped ship near 95 cents, another group bailed at 108 cents and now 125 cents is in play.

Granted, I advised all to price out at 95 cents. For those that had any left at a dollar, my advice was that you were on you own but I remained very bullish. That same bullishness continues. Remember, the market rule: Never bet against the trend. The trend is up.

We are in historic territory and the market exhibits every sign of liking dollar cotton. Other than the physics professor reminding us that what goes up must come down, cotton seems to still have good air under it.

The market continues to bet that the March futures contract will not elevate to same level as December (was) when the December contract expires. Granted, crop availability will be much greater and the same shipping/trucking woes will continue. Yet, as long a yarn prices remain strong then demand will continue to be the principal driver.

Too, we have previously mentioned that at times the market is not trading physical cotton as much as it is trading the textile mills need to fix the price of cotton already contracted. This of course is done by buying a futures contract and it is this ‘buying” of a futures contract that has led prices higher and will continue to do so.

Thus, despite increased availability of U.S. cotton, the New York ICE contract will continue to trade dollar cotton.

However, dollar cotton will likely disappear during the April-July 2022 period as the U.S. and the rest of the world began to make final planting decisions for 2022 plantings—and those plantings could be as much as 13% higher than recent world plantings.

We continue to suggest growers should price the 2022 crop at 90 cents and above. Yet, the cotton market will continue to be ripe for prices between 80 and 100 cents into 2023.