# Cleveland on Cotton: Seat at the Dollar Table Depends on Mother Nature

**September 4, 2021**

By O.A. Cleveland, Consulting Economist, Cotton Expert


After testing near term lows, the cotton market rallied at week's end, settling above 94 cents, basis December futures. The attempt to climb to the magic one-dollar level is somewhat stimmed by the potential for the U.S. crop to climb to over 18 million bales. The current estimate is 17.3 million bales, but late as the crop is, Mother Nature could still give us an unusually late fall; thus, allowing for the plant's very young fruit to develop harvestable bolls.

In the near term the prospect for dollar depends on a reduced crop size. Cotton's seat at the dollar table is still reserved, but the outcome is in Mother Nature's hands.

Bears like to point to the potential for declining consumption mentioning the Chinese coronavirus, transportation difficulties relating to exporting raw cotton and to importing finished apparel goods. Yet, those concerns have been with us for over a year now and the market has climbed some 20 cents.

This season's export pace is slow and behind the excellent pace established last season. Yet, we are less than a month into the 2021-22 marketing season, so ample time remains.

Other than Mother Nature the next most important factor affecting price is, as always, demand. Demand is, has been and continues to be very robust. In fact, demand is still expanding.

Yes, we do worry that fiber substitution will limit demand growth and may even wipe away some of the hard-fought gains cotton has made during the past eighteen months in rebuilding its market share of the spinning system. However, yarn prices around the world have remained very strong and have not shown any weakness.

Yarn inventories are not building. In fact, China is scrambling to obtain yarn. Pakistan has maintained a significantly strong cotton import program to keep its yarn mills working at capacity. Pakistan will buy considerably more U.S. cotton, as will China.

USDA will release its September world supply demand estimates Friday, September 10 at 11:00 AM central time. The report is expected to be slightly bearish as most expect U.S. production to be increased 500,000 bales or more. The report will be discussed by the AgMarket Network Team at 1:30 p.m. central time that day.

To listen or participated, call 605-313-5148 and when prompted enter code 571052#. An archived recording will be available at www.agmarketnetwork.com, Facebook, and twitter.

As indicted the estimate of U.S. production is expected to be increased 500,000 to one million bales. However, for a larger U.S. crop to materialize cotton belt weather must remain hot through mid-October. This year's weather pattern suggests that will be a tall challenge. It is simply a bet on weather.

Nevertheless, as commented earlier, cotton's reservation at he one dollar table has been made. Demand will easily disappear a 17.5-17.8 million bale crop. A larger crop could cancel the dinner reservation. However, world stocks are declining.

Regardless, cotton prices appear very well supported at the 90-91 cent level. Should prices slip to that level, numerous events could set in motion an attempt to challenge the psychologically significant dollar mark. As has been stated several times, demand is excellent. Further, while exports to mills have been slow this season, on-call sales are far more than double on-call purchases.

We often comment that the importance of that statistic is that it means the demand for buying futures contracts far exceeds the need to sell futures contracts. That is, there is considerably more buying required than there is selling—an excellent indication of future price direction.

Do not give up on dollar cotton. However, growers should be 75% priced on 75 percent of their EXPECTED PRODUCTION.