Cleveland on Cotton: Can the 90-Cent Cotton Market Barrier Be Breached?

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Cotton prices fell below 87 cents on the week but quickly rallied, yet they were unable to trade up to 88 cents. Thus, after last week's rally above 89 cents, the market fell back into another protracted line of back-and-fill trading.

The 90-cent technical resistance barrier continues to be "A Bridge Too Far."

The market has enjoyed an increase in open interest, thus giving hope to bulls that the 90-cent barrier can be breached. USDA will give us another look at its world and U.S. supply demand estimates for the 2023-24 marketing season on Oct. 12. Look for the same trading range to continue to hold unless there is a notable change in U.S. or world production – an event that is not expected.

The 84-90 cent range will continue into the USDA October supply demand report, and likely for several weeks after that. The expectation is that the Mid-South crop will be increased, and the Southwest crop will be further reduced.

Both the world crop and world carryover are expected to be lowered. World consumption will likely be lowered; thus, carryover will not see a meaningful decline. Such an outcome would suggest that prices will continue to be constrained within the same six-cent trading range.

As mentioned last week, the 90-cent price resistance barrier has been battered and bruised so much that it is very vulnerable to a break. But any break will be slight, and growers should be prepared to take advantage as the lack of demand continues to be the primary factor in the market.

The Ag Market Network teleconference will be Thursday, Oct. 12, 2023, at 1:30 p.m. Central Time. The New York Roundtable Group will discuss the report that afternoon, and typically, growers are allowed to ask questions of the panel. **Click here for the phone number and other program details.**

The weekly USDA export sales report did momentarily add a boost to the market as net sales of upland jumped to 240,000 bales for the week. China was the principal buyer with 126,200 bales, followed by Vietnam at 69,400 bales. However, sales were registered to only 11 countries – an indication that purchases are being made to only fill hard orders for yarn. Spinning mills have yet to begin to spin yarn for inventory – another indication of uncertain demand. Shipments at only 149,600 bales continued to lag the pace needed to meet the USDA estimate for annual exports.

We continue to feel growers should use call options if they are not satisfied with the current price. Growers should not pay for storage. One possibility for seasoned users of options is to buy the at-the-money call option and sell two 98-to-100-cent call options. This alternative could give the grower a free at-the-money call option. However, the grower would have risk above 95 cents.

Again, that suggestion is intended only for seasoned traders.

Give a gift of cotton today.