Cleveland On Cotton: Become "Somewhat Aggressive" With New-Corp Marketing

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This was a positive week for agriculture. For cotton, closing the week near its daily high is always good, The U.S. and China resolved what was called Phase1of the trade dispute and Congress, after extensive and inexcusable delay, allowed the new NAFTA agreement to become law.

These trade packages are very beneficial for agriculture. The resolution with China removes all uncertainty from the trade tiff and relative to the cotton market. Now the U.S. cotton industry must push forward so that Mexico can become the primary export market for U.S. cotton. All this providing a real boost to U.S. cotton demand.

Cotton performed much as expected, giving back a smidgen of its prior losses, righting itself and then continued its base building in the 72-73 cent area. Demand is the only fundamental slowing price advancement.

Exports showed an increase on the week and merchants persist that inquiries have increased and more business is being consummated. Certainly, the export sales report was very refreshing. The 69-73 cent range continues to dominate trading and will likely do so for the coming month.

Not only demand, but a continued inflow of speculative funds is needed to help bolster prices. The objective in the May-July futures complex remains the 77-cent target.

Time To Shift Into Aggressive Mode

Additionally, as stated last week, growers are encouraged to become somewhat aggressive marketers of new crop December at the 74.50 cent level.

We have cautioned for several months that growers should not expect the market to see much price increase, if any, to the trade agreement.

Long ago, the cotton market made its peace with that uncertainty and has traded on its raw fundamentals, supply and demand, for over a year. The export market has been the focus of the cotton market and we have for some time suggested that China would not be a big buyer of cotton. They simply do not need imported cotton other than for fill-in needs.

They have purchased the bulk of their needs of U.S. growths. However, not all of those purchases have been shipped. It is imperative that the Chinese honor those purchases and take delivery. It is fully expected that they will and the Phase I agreement all but guarantees such.

Actually, Chinese needs are somewhat limited in the coming six months. The strategic reserves are in place. Additionally, there is a record level of commercial stocks in country (cotton held outside the mills, the government and state agencies).

Basically, it is a record level of raw cotton stocks held by raw cotton speculators in hopes of higher prices.

Strong Export Sales Numbers

U.S weekly export sales totaled an impressive net of 266,300 bales, 232,000 Upland and 34,300 Pima. Primary buyers were Vietnam, Pakistan, Turkey, Taiwan and Bangladesh.

Shipments were very impressive, reaching nearly a six-month high and totaled 309,400 bales, but still some 65,000 bales less than the weekly average needed to reach the USDA export estimate of 16.5 million bales.

However, shipments to date are some 17% above the year ago to date level which bodes well for reaching the USDA estimate.

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