

# Cleveland on Cotton: Don't Panic.

June 28, 2019

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The market continues to muddle through the early days of summer while suffering from poor demand and crop concerns in the U.S, and India. Granted, there are other important crops around the world that are drawing attention, especially Pakistan. However, it is very early in the season and plantings in northern hemisphere crop are only slightly behind.

The USDA released its much anticipated June plantings report today and essentially confirmed its March planting intentions report of 13.7 million acres. The estimate was market neutral. The question regarding 2019 production now becomes a combination of abandonment, especially in Texas District 1N, and plant growth progress. To that end, Mother Nature must play her hand. The report can be viewed at the end of this report.

## Export Slowdown

Demand continues to lag although U.S. export sales to date are at 110% of the USDA export estimate. That is a somewhat typical for this time of year. The greater concern is that the pace of export shipments to date is only about 85% of the year to date shipment pace. This sets the stage for a continued slowdown in export shipments and world cotton demand problems. The market remains locked in the 62-68 cent trading range with likely no place to go for another month.

## Regional Outlook

The Midsouth crop has made steady progress across the region with hot spots in West Missouri and the central Mississippi delta where plant vigor is questioned. Most of the region's crop is progressing well, but the region has been hit with sporadic cool temperature.

The MidSouth crop is akin to the 1991 start that was initially called "miserable," but produced a year to date record yield. MidSouth cotton is "made" in July so July's weather can overcome any early season problems.

The Southeast crop is off to a good start with Alabama showing the way. North Alabama has seen a few blooms already and some 80 percent of the south Alabama is rated above average. Tomorrow's weather will be deciding factor as to the size of the U.S. crop. Georgia and North Carolina are average plus, but Georgia will need a widespread rain by July 4.

The production disaster in the northern zone of Texas District 1N can be overcome by strong crops in other regions of the U.S. The market looks at the big picture and is not impressed with small regional problems.

**The U.S. crop must be viewed as being from a low of 20 million bales to a high of 22 million.** Yet, with both U.S. and world stocks expected to increase during the 2019-20 marketing season, the market has little incentive to move much

in any direction. The global crop will have to exceed 125 million bales to pressure the December contract to the low 60s or in the 50s.

Speculative funds are very short the market and, while there is always money, there is little interest or incentive to sell the market lower. Again, the market is just muddling through at present. It is not time to panic and begin selling. The March, May and July 2020 contracts should reward the grower, but not with more than a break even price.

Chinese negotiations have restarted, but again, the dispute is not about cotton or agriculture, but intelligence gathering, technology theft and honorable trade practices. Until fair trade is honored by China there is little reason for the U.S. to settle the dispute. As such, the market always welcomes good news and a settlement would offer a limited, but short lived price increase.

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