

Cleveland On Cotton: “A Big Bunch Of Cotton”

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The market did back-and-fill all week as it likely will until USDA’s November supply demand report provides more clarity with respect to market fundamentals.

Yet, before the market can get to USDA’s November report, it must first decipher next week’s supply/demand report, due out on October 9.

We are likely seeing larger crops in China and India, but smaller harvests in the U.S. and Africa. U.S. export business continues to lag, and the world textile industry is some 20 percent to 30 percent shuttered. With that, world cotton demand remains under considerable price pressure.

World cotton supplies add to the negative price pressure on cotton as world carryover will still be at least 100 million bales come November, just a month away. At that point, world cotton carryover will be large enough to completely supply the

world's textile needs for 2020, and that is even before harvest of the 2020 crop begins.

In other words, there is a big bunch of cotton out there chasing a market. Granted, much of the oversupply is low quality, and/or SLM 1-1/16 inch and below (grade 41-4-34). The basis December futures will find great difficulty reaching above 67.50-68 cents in the coming months.

Where The Bales Went

The marginally lower prices experienced two weeks ago were reflected in the weekly export report for the week ending September 24 as net sales of Upland cotton were good at 233,800 running bales.

The principal markets were Turkey, China, Vietnam, Mexico and Indonesia, and these five countries accounted for 69% of the weekly sales. Cancellations were very minor at only 4.3 million bales. Shipments totaled just 218,200 running bales, with the major destinations being China, Vietnam and Indonesia.

Shipments to China, 105,400 running bales, represented 48% of the total shipments. It's believed that sales of at least 200,000 bales already made to China have not been registered.

Notwithstanding excellent sales to China on the year, accumulated cotton export sales/commitments are 8 million running bales, (about 8.35 million bales) through the first 8 weeks of the 2020-21 marketing year. That is down about 7 percent year-on-year.

How Will Exports Stack Up?

Last season's exports were 15.53 million bales. The current USDA projection for this season is 14.6 million bales. The current pace of shipments this year projects that actual exports will fall to some 14.4 million bales, or some 200,000 bales below the current USDA estimate.

But given that U.S. cotton is not price competitive in the world market, coupled with the lack of supplies of U.S. high grades, U.S. exports could fall to only 14.3 million bales.

However, it's not expected that U.S. carryover would increase because many feel the U.S. crop will be some 300,000 bales smaller than the current USDA estimate of 17.1 million bales.

On A Separate Note

The monthly AgMarketnetwork Teleconference will change to a new time this month and will be broadcast live on Friday, October 9, 1:30 p.m. Central. The group will host a roundtable cotton marketing discussion to include trade issues, marketing suggestions, price forecast and quality cotton issues.

You will also have an opportunity to ask questions. Dial in for listening and questions to 1-605-313-5148 and then key in 571052#. Alternatively, you can listen later listen to a rebroadcast at www.agmarketnetwork.com.