

Cleveland on Cotton: Bearish Week but a Strong Finish

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The cotton market was under pressure all week but worked through triple digits on most days. However, in terms of prices the bears were the decided victor as prices slipped to almost the 87-88 level, basis May and to 84-85 cents, basis the new crop December contract. Yet, the weekly settlement proved cotton to be a strong market finisher.

U.S. export sales continue strong and export shipments continue very strong. The old crop new crop spread moved to its tightest level of the year. Additionally, on-call sales continue to offer good fundamental news for the bulls. The slight selloff on the week was laid at the feet of (1) a volatile and skittish equity market fueled by the FED's comments regarding inflation and (2) the slippage of Chinese cotton prices, basis the ZCE.

Textile activity around the world has not slowed and mills are presently seeking cotton on an as needed basis. The on-call sales versus on-call purchase ratio favors higher prices for both

the May and July contracts. December will continue to follow the old crop contracts.

There is mounting concern about Texas drought conditions. Look for the old crop contracts to again challenge the low 90's and to pull the December back to the high 80's.

U.S. export sales slowed but remained above the level required to reach USDA's shipment level of 15.5 million bales. In fact, one should expect USDA to increase its estimate of U.S. export exports in next week's supply demand report. Weekly net sales totaled 218,400 bales, including 40,600 bales for marketing year 2021-22, Pima sales of 7,800 bales, and Upland sales for the current year of 169,000 bales.

Some 16 countries were buyers of U.S. cotton and six purchased at double-digit levels. Primary buyers were Vietnam, China, Pakistan, Indonesia, Turkey, and Bangladesh. Export shipments were an impressive 386,500 bales consisting of 377,400 bales of Upland and 9,100 bales of Pima. Vietnam, China, and Pakistan were the primary shipment locations. Shipments should remain impressive.

The cotton market outperformed the grain markets during the important month of February, the month most growers make final planting decisions. Granted, some planted acreage adjustments occur in March and even in April, but only at the margin.

The 2021 cotton plantings "insurance price" will be the highest ever. Thus, Texas and Southwest plantings should remain near level with 2020 plantings and even a slight chance of increased plantings despite the potential for widespread drought in Texas.

Cinco de Mayo remains the needed rain date for South Texas and June 1, is the million-dollar rain dance day in West Texas. Thus, Mother Nature has plenty of time to bless those regions with her rainfall.

Expect 12.0 to 12.2 million acres of cotton to be planted into the U.S. in 2021. Some are estimating that plantings could reach

as high as 13.0 million acres. That is a bit high, but timely moisture could get that much.

USDA will release its March supply demand report this Tuesday, March 9, at 11 AM central time. The report will be discussed on the Ag Market Network at its upcoming Teleconference at 1:30 p.m. Central time that day. Speakers include Dr. John Robinson, Kip Butts, Jarral Neeper, President of TruCott Commodities, Dr. OA Cleveland, and Pat McClatchy.