

Cleveland On Cotton: Carryover Will Cast A Long Shadow

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December cotton futures flirted with 60 cents all week. The August world supply demand report was negative, as expected, but had been built into the market before its release. Thus, the 57-61 cent trading range was never challenged. The week's activity did note very strong export sales that, likewise, were already in the market. Thus, the positive sales report did not add any bullish enthusiasm to the market.

Wall Street's rocky week was definitely not in the market but had little effect on the agricultural commodity markets. The current trading range should be expected to continue as both global and U.S. economic news continues to dominate price discussions. However, the overall good health of the consumer will continue to dominate U.S. economic growth.

USDA's first objective estimate of the U.S. crop was 22.5 million bales. USDA **provided the first state by state breakdown for the 2019/20 season.**

Exports increased to 17.2 million bales, but carryover went up to a very bearish 7.2 million bales. It is the estimate of carryover that will tell the story of cotton's price adventure during the coming season. Of course, crop size is far from determined,

Obviously, though, the U.S. crop has made excellent progress and continues to look excellent. Some drought issues could be expressed in another week or possibly two, but now the crop is making solid progress across the Belt.

Midsouth Crop Adds To The Bear Bait

The forecast for such a large crop is led by the Midsouth's regional yield in excess of 1000 pounds per acre. Some fields in the Southwest appear under stress, but most agree the easy availability of subsoil moisture can carry the crop into the final week of August. Hopefully, U.S. export sales will continue to hold as sagging demand continues to be the key feature. This week's sales, while impressive-well over 325,000 bales, will need to be matched week after week.

As many as two million bales of export sales will likely be expected to be cancelled due to the very high initial sale prices, as much as 20 cents above current prices. So, what appears to have been very strong export demand this week likely included sales that will merely be substituted for older sales that will be cancelled in the future.

Along with the bearish increase in U.S. carryover, the carryover estimates went up in other major exporting countries.

That is yet another bearish burden facing the cotton market as a number of countries will be battling the U.S. for export market share. Further, world carryover was increased some 2 million bales in the August report. USDA decreased the world crop marginally to just below 126 million bales. However, world consumption was lowered some 2 million bales down to 123 million. So, world carryover was increased some 2 million bales, up to 82 million.

The weekly exports sales report was positive. However, one is cautioned that these sales were thought to have been made as replacement sales for prior sales that will be cancelled. Look for the market to trade 60 cents and below.

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