

Cleveland on Cotton: “Finally, a Good Day to Be a Grower”

December 18, 2020

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Wow, where is the market going? Cotton just does not want to quit. It's finally a good day to be a cotton grower.

Saddled by what USDA told us were abnormally high world and U.S. stocks, questionable demand, and a lackluster world economy, the cotton market was doomed to die on the vine somewhere between 67 and 74 cents. Forget that. Prices just keep climbing.

There has appeared to be “no reasoning” in market price activity. Yet, we always know the market is right. While analysts were predicting prices could slip back into upper 60's just 30 days ago, the market has surged ahead, week by week, and is now making a serious challenge of the 80 cent mark. The possibility of taking on 83 cents is staring us in the face.

It's one thing to miss the market price objective, but to miss it 20 cents has left many a trader shell shocked and asking what happened.

Expect the market to hold the mid 70's as On-Call sales vs purchases and world demand should provide solid price support. Also, the new crop December will offer pricing opportunities at 75 cents and likely at 77 cents as well. However, pricing of the 2021 crop should begin at 75 cents.

USDA data continues to be viewed with a jaundiced eye and will continue to be so judged given USDA's NASS and WAOB failing performance this year. The industry judges the U.S. crop to be some 14.9 to 15.6 million bales, compared to the official USDA estimate of 16 million bales.

The January crop production report will include the final objective yield survey of the 2020-21 marketing year. Given that the U.S. crop will essentially be 100 percent ginned by the end of December that report should be very accurate. However, the industry has been very displeased with the ability of USDA to provide creditable crop estimates this season.

USDA's estimation process has been a total failure this year.

Chinese consumption has been able to maintain its increased pace for another month and local observers suggest the industry is back to normal operations. Thus, exports to China and Pakistan have outpaced USDA estimates.

It is conceivable that USDA's newly elevated export estimate of 15.0 million bales will even be surpassed. That is, U.S. cotton market offtake during the 2020-21 marketing year will be greater than the 2020 U.S. crop. In fact, U.S. carryover, currently estimated by USDA at 5.7 million bales may fall much closer to 5.0 million bales or even as low as the 2019 beginning stocks level of 4.9 million bales.

Export sales celebrated another exceptional week as net sales of Upland totaled 402,900 bales. Double digit sales were made to eight countries as sixteen countries purchased U.S. cotton.

China, Pakistan, and Vietnam were the major buyers. Shipments were made to 21 countries. Upland shipments totaled a very surprising 251,300 bales.

China was the primary destination receiving 112,000 bales. Shipments are some 1.2 million bales ahead of the prior year's pace. USDA, to their credit, did note last week that U.S. exports shipments would increase including increased shipments to China and Pakistan. The weekly export sales and shipment report can be viewed [here](#).

The CFTC Call Sales report continues to add bullish ammunition in the market. Despite some mill pricing fixing on the March contract, as well as grower pricing, textile mills continue to increase their on-call sales on the May and July futures contracts. A continuation of this trend will continue to provide price support.

While the price trend still points higher. Growers should consider pricing now that the March contract has reached 77 cents and continue pricing on each 150-point advance.

The 2021 crop is now set for a test of 75 cents, basis the December 2021 futures contract. Growers should price the first 10% of their 2021 crop at that level.