

# Cleveland on Cotton: Strong Potential but We've Got to Get Through 2020

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Cotton's future in the U.S. calls for increased plantings. Period. Just not in 2020. The Coronavirus will control everything.

U.S. planting will drop from the previously projected 13.0 million acres to between 12.4 and 12.6 million.

Cotton prices will lag during the remainder of the 2019-20 marketing year — until at least March 2021.

## **Be Ready**

Pent up demand for cotton will explode in 2022-23. Be ready. Plantings could grow to 13.5-14.2 million acres.

Textile mills are running away from China as fast as they can—running, not walking

Turkey and Pakistan will take the European textile market from China.

Brazil will pick up any and all cotton and soybean markets the U.S. does not lock up hide.

## **Mexican Textile Industry?**

When will the U.S. cotton industry build a Mexican textile industry...its tailor made?

Trump has been the agricultural president, but coronavirus/economic recovery funding will now stand in line for tariff money.

China will perform on its obligations, although their economy is being brought to its knees.

U.S. cotton exports are booming and will continue, but prices will be very-very slow to benefit.

## **U.S. Has to Keep at It**

If the U.S. does not continue to produce cotton its markets will be lost. There will not be a second chance.

We missed this market as bad as we have ever missed anything, worse than the baseball that hit me in the head, the one I never saw. Obviously, I still suffer from that. That does not excuse the point that everyone missed this one, just as bad.

Technically, we could see the old crop July and new crop December falling to the 67-cent area, but not down to essentially 61 cents. That is bad enough, but events are suggesting that the market will reset back into the mid to high 60s at best.

Thus, one can't get excited about moving the remaining old crop or the oncoming new crop for anything above 65 cents.

Most likely the new crop December has a cap in the mid to high 60s. Yet, the December 2020 and May/July 2021 contracts could offer some hope for pricing the 2020 crop back near 70 cents.

## **Look Toward 2021**

It's just a Cinderella story now, but the 2021 crop should see prices in upper 70s to mid-80s. But don't waste your time looking for that one slipper this season. It is lost for 12-18 months.

## **Coronavirus Consequences**

Again, as stated last week, Wall Street is the controlling factor and it has told us that the economy is going to be bogged down. Our economic engine will restart only after it can get through the worst of the coronavirus fears. The virus is very severe. Its greatest impact will be to take much of the world's business economy to a near standstill—on and off—for at least another ten to twelve months.

## **Dominos will fall for months to come.**

As stated last week, Wall Street's reaction began taking over the cotton market. Cotton is an agricultural commodity, but unlike grains and oilseeds, it is an industrial commodity (textile product) and tracks much closer to the Wall Street equity market.

The DOW, in big round numbers, fell 5000-6000 points in less than two weeks and cotton on the New York ICE fell 8-10 cents...in just a week. If the Dow keeps falling then cotton will keep falling. The money coming out of equities, as the rules goes, moves into bonds and bond funds. This simply drives down the rate of interest as bonds sit there not looking for any new investment.

So much money has moved into bonds that the real interest rate is now just one percent (1%), dreadfully low, but the best bet on Wall Street.

Numerous textile mills in China remain closed. Many processing, manufacturing and transportation centers have been closed for four weeks now. This same type economic activity is now beginning to move from location to location across the world. Textile manufacturing has already been impacted and will continue to be. Cotton demand will decline as consumers simply can't get the same wide access to products they have been buying.

In China, some businesses are being reopened, but manufacturing operations, at least many of the textile operations must be retooled and supplies must be properly brought in and workers must be continuously screened. This will continue for up to four to six months. The economic slowdown is real. It is widespread. It will spread further.