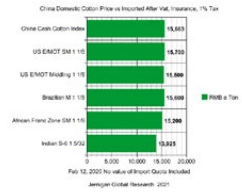
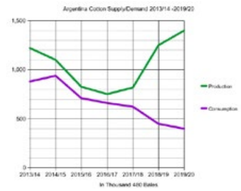
AUSTRALIAN FOB PRICES REACH 600 AD A BALE

SHARP FALL IN XINJIANG COTTON QUALITY CONFIRMED



PREMIUM OF CHINESE DOMESTIC PRICES ERODES



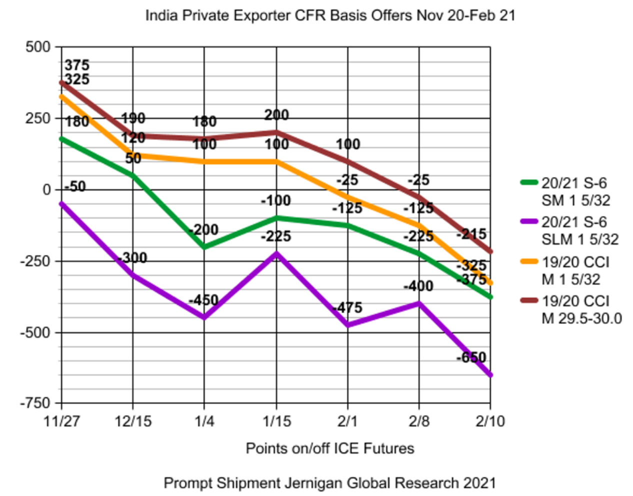
ARGENTINE HOLD RECORD COTTON STOCKS AS PRICES ADVANCE

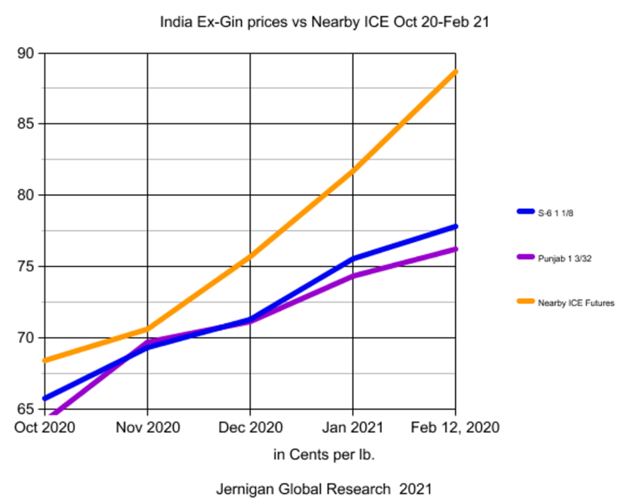
JERNIGAN GLOBAL

KNOWLEDGE IS THE NEW CAPITAL

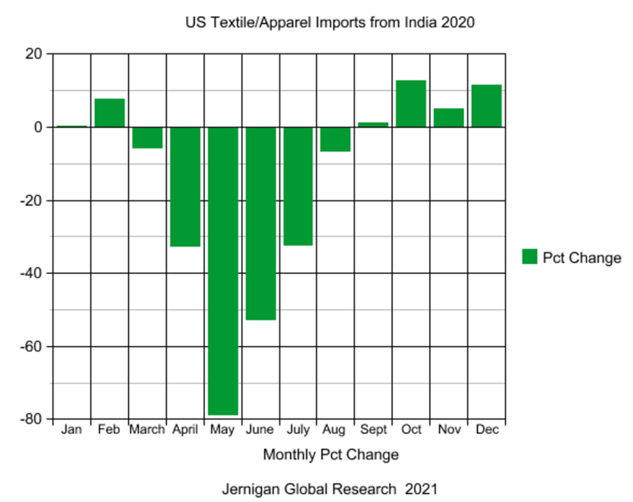
INDIAN SPOT SHANKAR-6 1 1/8 PRICES FALL TO 1000-POINT DISCOUNT TO ICE MAY FUTURES

The 500-point surges in ICE Futures early last week created a wave of distortions throughout global physical markets caused by emotional speculative buying and not by actual demand. The sharp gains allowed cotton to again move from origin into Trade hands, and the movement occurred as May hit 88 cents. It should be noted the ICE contract has a base grade that is a discounted cotton consisting of SLM, 4 leaf, 34 staple, FOB domestic warehouse. So, when the price of a Shankar-6 1 1/8 ex gin in India reached a 1,000-point discount, it raised more than a few eyebrows. After several swings, the average ex-gin yard price of a Shankar-6 in Gujarat ended the week on Friday at just over 1075-point discount. It is clear that this relationship is out of line and was evidenced when brisk demand from international merchants occurred at the daily CCI auctions. The strangest aspect of the discount of Indian is the premium of another handpicked growth, African Franc Zone. The first reason is quality, which is due to the West African industry's hard work to improve picking and ginning that has gained it a loyal following with spinners. Second reason is because Indian growths are shut out of Pakistan at a time when it is one of the most robust import markets. Nonetheless, the discount of a CCI classed and ginned SM 1 1/8 Indian is still 800-1000 points discount to an African Franc Zone of the same grade. The discount of a private ginned Indian Middling 1 1/8 can reach 1400 points. At these discounts, the international Trade is likely to focus heavy attention on the CCI remaining stocks. India has one of the largest blocks of 2020/2021 stocks, and the CCI is estimated to have 7.15 million bales of 2020/2021, 650,000 bales of 2019/2020, while the Maharashtra Federation has 700,000 bales of 2020/2021 and 560,000 bales of old crop for a total stock of 9.06 million bales. These estimates are before any sales late last week.



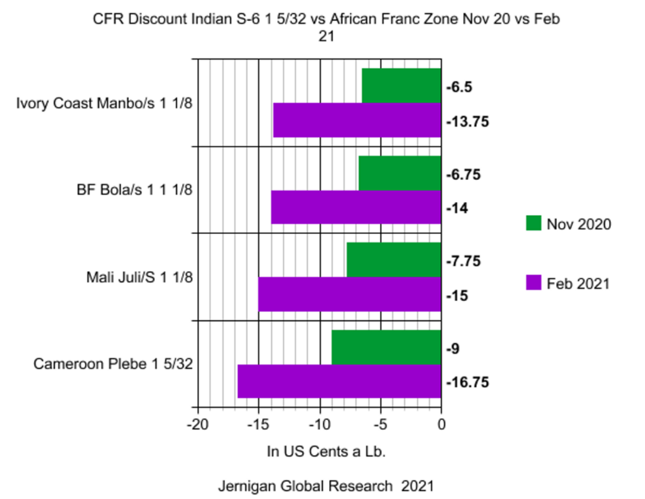


While India's total textile and apparel exports to the US for the year 2020 fell 15.27% in value to 6.816 billion USD, monthly exports to the US have been showing month-on-month growth since September. Monthly exports to the US showed growth in January and February before the pandemic hit. Exports in April plunged 32.89%, then fell 79.03% in May but began to recover, turning year-on-year positive in September. When shipments began to come back, cotton products led the growth. In December, 67.5% of all exports to the US were cotton products. A notable increase in exports of fabrics has been noted with India the second largest supplier in 2020.



The international discount of Indian suggests it simply cannot be maintained at current levels. Chinese mills will probably have interest after the holidays if it still prevails at current levels. It appears that, despite the holidays, a block of Indian sold to Chinese mills at the end of the week. The CAI is staying with its production estimate at 36 million bales and consumption estimate at 33 million bales. The discount of Indian styles is continuing to provide a sizeable advantage to the Indian apparel exporters. In December, India was the third largest supplier of textiles and apparel to the US with volume increasing 39.2% compared to a decline from Vietnam and China. Pakistan also saw a large increase in the volume of imports in December. The switch from sourcing cotton products in China is providing a significant boost to both countries. Indian companies have now established solid relationships with some of the major US retailers, which are prospering.

The CFR basis for Indian cotton has been under pressure since December as ICE futures begin to rally sharply. Last week's surge of 500 points pushed the basis to a new low for the season by the close Wednesday. Using our matrix of private merchants' export offers (these normally run at major discount to international merchants' official offering levels and to the Cotlook quotes), we find the CFR basis has fallen sharply over the last 75 days, which we have discussed several times. The most aggressive offers are Indian SM Shankar-6 1 5/32. This basis at the end of November stood 200 points on March, but by Wednesday last week it stood at 375 points off May. This was a 1425-point discount to Cameroon Plebe 1 5/32 offers on the same day. A SLM S-6 1 5/32 was offered at 650 points off May, which compared to a 50 point off March at the end of Nov. It was also a 1150-point discount to an African Franc Zone of a similar quality. CCI 2019/2020 basis level offers have also fallen. A M 1 5/32 was offered Wednesday at 300 off May, making this growth in demand due to its quality and reflecting more than a 600-point basis decline since the end of November.

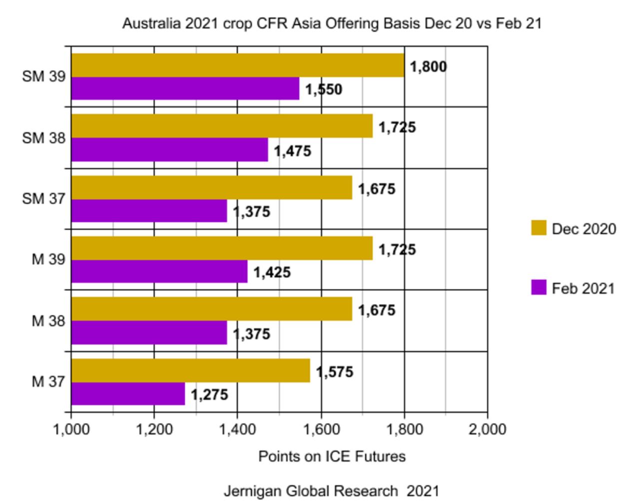


The Pakistan textile and apparel industry is lobbying the Pakistan government to allow the importation of Indian cotton and yarn. The ban has been in effect since Aug 2019 and has cost both countries many millions. It has forced Pakistan spinners to turn to US, Brazilian, Argentine, African Franc Zone, and almost every other growth, since the industry plans to import five million bales in 2020/2021. The spinners that could easily use Indian cotton have been forced to pay record premiums over the Indian price, and that has cost the country millions in earnings and increased the trade deficit. There is no argument to continue the ban except political. On the Indian side, the inability to sell to its neighbor and being blocked from the fourth largest import market has been extremely expensive for a large part of the cotton industry. Thus, it may be possible for calmer heads to prevail, and this ban, at least on cotton fiber, will be lifted. It would likely quickly erase the record discount of Indian and also reduce export demand for US and Brazilian.

AUSTRALIAN 2021 CROP HITS 600 AD/BALE AND NEW RAINS FORECAST

Australian farmers have received beneficial rains during the past two weeks in many areas, especially New South Wales. In the week ending February 3rd, pockets of heavy rain fell in NSW with the heaviest amounts at Gunnedah 56 mm, Narrabri 49 mm, Dubbo 44 mm, Condobolin 144 mm, Griffith 59 mm, and from 30-84 mm across the Riverina. Some areas, such as Moree, reported only 5-10 mm. This was followed in the week ending February 8th by more rain. The border regions recorded 15 mm or less, Gunnedah and Quirindi 80-64 mm, Narrabri 56 mm, Wee Waa 23, Trangie 71, Dubbo 56, and Parkes 69 mm. Moisture in the Riverina was scattered, ranging from 10-80 mm, Warren 95 mm, and out west Bourke received 72 mm and Collarenbri 58 mm. In Queensland, Theodore recorded 64 mm with amounts elsewhere ranging from 8 mm to 42 mm. Thus, a wide block of the acreage reported welcome rains and on farm storages received a boost, and some rivers are flowing better. More rain is on the way as another front brought rain back to the cotton belt on Friday, and showers will continue into this week. The considerable moisture has brought a plague of mice, which is causing problems.

The rally in ICE took local cash prices for the 2021 crop to 600 AD a bale, a level that triggered heavy grower selling. This price level is considered quite attractive to growers and allowed them to lock in sizeable profits, assuming normal yields and no quality issues. The Chinese trade houses continued to take up the 2021 crop despite the ban on imports as it appears the state-owned trading groups are exempt. This buying makes economic sense as the Australian CFR basis has continued under pressure and US Pima prices have soared. Chinese mills with access to these purchases will be very happy. Forward contracting for the 2022 crop also picked up last week as prices reached 570-575 AD/bale, which offered growers the best hedging opportunity yet for this crop. The Australian CFR basis has remained under pressure, hitting a low Wednesday after the surge in futures of 1350 point on May for a SM 1 5/32. The actual price is now above 100 cents a lb.



USDA WASDE LEAVES THE US CROP PRODUCTION UNCHANGED

The USDA provided some shock as it did not lower the 2020/2021 production estimate. This appears to be due to the fact that, first, it historically does not adjust the production estimate in February, and, secondly, the USDA reported ginnings as of February 1st at 13,995,240 running bales or 14,578,594 480-lb. bales, if the standard running bales conversion works this season. This data suggests the adjustment in production will be smaller than at one time feared and that late ginning might push the crop closer to the USDA estimates.

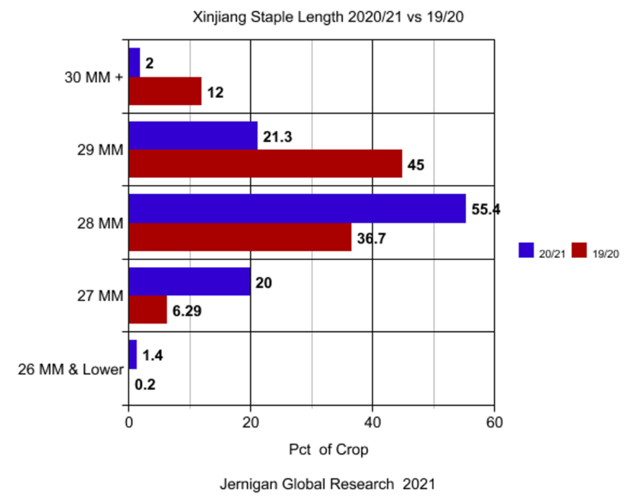
US export sales in the week ending February 4th reached a stellar 275,400 running bales of upland for 2020/2021 and 170,100 running bales of upland for 2021/2022. Such sales volume is far above the averages needed for higher exports and adds the need for more immediate accurate estimates from the USDA on supply. The USDA did raise US exports by 250,000 bales to 15.50 MB, which lowered US ending stocks to 4.3 million bales.

For the world, the USDA raised global production by a net 1.275 million bales led by a 1.5 MB increase by China and then increased consumption by 1.4 million bales thanks to a million-bale increase in Chinese consumption. Global ending stocks fell by 582,000 bales.

AS CLASSING NEARS COMPLETION XINJIANG CROP'S SHARP FALL IN QUALITY IN 2020 IS CONFIRMED

The classing data as of January 31st confirms all the earlier comments in which we discussed the poor quality of the record 2020 Xinjiang crop. 2020 was a year of record yields. As of February 10th, 5,589,100 tons or 25.679 million bales had been classed. Our first visit to Xinjiang occurred when production was only around 10 million bales or so. For the management and industry of this region to expand production by 260% in one of the hardest desert regions in the world on a limited water supply is truly a major accomplishment of the Chinese industry. The focus on yields is understandable as it is what drives growers' excitement for a crop and its profitability. The 2020 crop problems centered around staple length, strength, mike, and to a lesser degree, uniformity. In color grades, 70.5% of the crop was classed as white grade 3 or close to a Middling. There was a drop in the percentage reaching Grade 2, which accounted for only 11% as compared to 18.1% a year ago. The number of bales falling to the Light Spotted grades increased from 1.6% in 2019 to 9.8% in 2020.

Staple length was a serious issue, with the percentage of the crop reaching 30 mm or higher dropping to 2% from 12% the year before and the percentage reaching 29 mm dropped over 50% to only 21.3% of the crop. There is a real shortage of domestic 1 1/8 and longer staple. 55.4% of the crop had a staple length of 28 mm and 21.4% a staple length of 27 or shorter. This alone

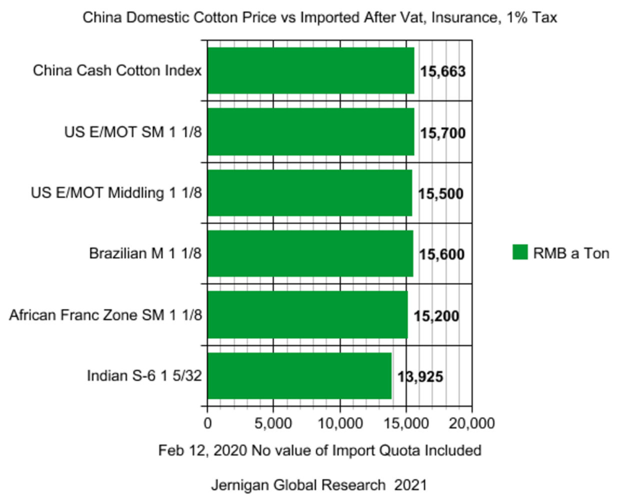


is enough to drive increased imports of longer staple cotton for higher count yarn production. 76.8% of the crop had a strength of 26.0 to 28.9, the percentage reaching 29.0 to 30.7 fell to 18.38%, and only 1.51% reached 31 or higher. This is a significant issue for such an expensive input, irrigated crop. The US much lower cost rain-grown, Mid-South crop reached a large volume of 30-33 strength.

Only 19.23% of the crop had a uniformity of 83-85.9, with 78.57% at 80.82.9. In regard to micronaire, 32.43% of the crop was high mike at 5.0 or higher, while 63.55% fell in a range of 4.3-4.9 and 3.8% at 3.7-4.2. The Xinjiang industry has already begun to prepare to address these problems in 2021. PCC Division 1 announced a host of incentives and actions that include tying the seed cotton price to the quality of the lint. When the percentage of the 2020 crop high grade is converted to bales, it suggests the import volume needed for high grade spinners to replace it could reach 4-5 million bales. This has already been reflected in the record purchases of US and Brazilian high grades.

The early estimates for 2021/2022 by the Chinese groups are showing a drop in yield in 2021 as the quality is addressed. The Cotlook Beijing (BCO) has Xinjiang acreage up 1.2% and production down 5.8%.

CHINESE MARKETS DO NOT FOLLOW ICE GAINS AND SPINNERS' INVENTORIES HIGHEST IN FIVE YEARS



China's cotton and textile markets experienced quiet trade ahead of the Chinese New Year, which began on February 11th. The monthly Chinese Cotton Association survey of cotton spinners' inventories as of the end of January revealed that spinners held 930,500 tons, which is a 128,200-ton increase from December and represents a five-year high. This explains why spinners turned quiet as the holiday period arrived. The survey also revealed slim yarn inventories, with only nine days of expected demand in stock. The Chinese spinners showed no interest in pushing domestic cotton prices higher last week as the range of physical prices was unchanged and the official Cash Index gained 206 RMB a ton or about 1.44 cents a lb. to end the period at 109.58 cents or 15,663 RMB a ton. This was a sharp narrowing in the premium of Chinese domestic prices to international values. Generally, the landed mill price in China of a US E/MOT, Brazilian, or African Franc Zone Middling 1 1/8 was near 108 cents a lb. after VAT, insurance, and 1% import tax. Therefore, spinners who have been issued the 2021 TRQ import quota can still save about 100 points or 1 cent on imports. The quota can be sold and should draw several cents a lb., which means imports are more expensive than domestic cotton except for Indian with its record discount going into the weekend. This narrowing has reduced the spread calculated by the Reserve to 919 RMB before domestic purchases of the Xinjiang crop can begin as the holiday began. The auctions can occur when the spread is less than 800 RMB.

ZCE cotton futures experienced low volume but attempted to show some reaction to the gains in international prices. The May ZCE contract closed at 15,685 RMB or 109.79 cents a lb. This reflected a 195 RMB a ton or about 1.36 cents a lb. gain. It is drawing increased certification for delivery as ginners seek risk coverage. The ZCE cotton yarn contract also posted gains for the week of 320 RMB a ton on very light trade. The polyester staple contract moved sharply higher, outpacing all other contracts gaining 310 RMB a ton or 2.17 cents a lb. to close at 49.65 cents a lb. vs. a cash price of 47.57 cents.

The China Cotton Association end of January survey of commercial inventories outside the Reserve and spinners stood at 5,253,600 tons, which is a gain of 241,700 tons from a year ago. Stocks at bonded warehouses stood at 411,000 tons.

RAINS TURN HEAVY IN BRAZIL; CONAB CUTS CROP

As last week began, 59.52% of the expected Mato Grosso crop was planted. The crop is late, but growers have been moving to plant as soon as soybeans can be harvested. CONAB in its February estimates, reduced the crop acreage by 71,400 hectares to 1,447,100 hectares, and lowered the crop by 128,600 tons or 590,853 bales to 2,522,800 tons or 11.591 million bales. This is in line with ANEA estimates and much of the private work. The Bahia crop was forecast at 478,800 tons, which is a decline of 19.8% from last year's record, and the Mato Grosso crop was forecast at 1,805,700 tons, which is down 14% from a year ago. Overall, the average yield was at 1,743 kilograms a hectare or just at 8 bales a hectare, which means CONAB is not expecting a major impact from the late planting. The same was true in soybeans, where production was placed at 133.82 MMT, slightly higher than the January estimate and a new record. The first crop corn was raised to 105.48 MMT, and the second crop corn crop to 80.08 MMT, both up from last year. Thus, the concern over the weather or late planting has not yet effected CONAB estimates.

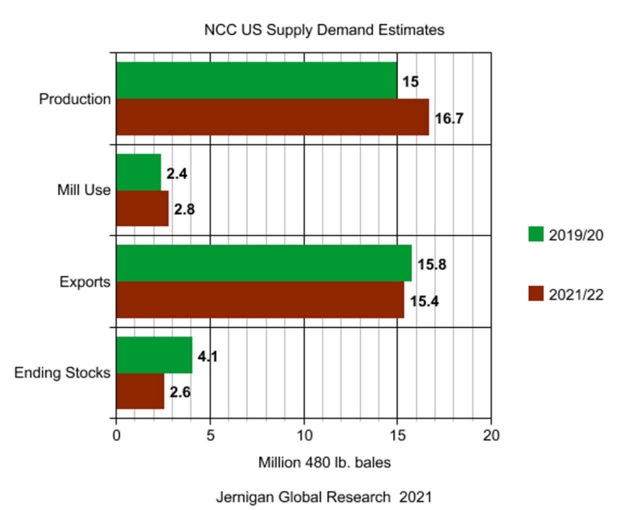
Weather forecasts for the reminder of February suggest above normal rainfall in Mato Grosso. The rainfall is expected to be 170-230% of normal. The issue is whether or not this will impact the completion of cotton planting. The farmers of Brazil operate 24 hours a day and appear able to meet a range of challenges. Any cotton planted after February 15th is quite late, but the late February rainfall will replenish soil moisture levels and give the crop a much better base of moisture if the rains end early.

China was again the top export market in January at 95,994 tons, and January-July export shipments have reached 1,563,435 tons or 7,183,202 bales. CFR basis levels have begun to show some weakness following the slowdown in sales. Growers continue very cautious regarding new crop sales until a clear production outlook is assured. Domestic mills needing coverage continue to push up the ESALQ Index of a 41-4-35 landed Sao Paulo. On Thursday it reached 87.97 US cents a lb.

ARGENTINA RECEIVES RAINS; STILL HOLDING OLD CROP STOCKS

Export offers from Argentina have been firm as ICE rallied, despite the fact that a large block of old crop stocks remains unsold, with approximately 400-500,000 bales, and the new crop have been sparsely sold. Export offers have been at basis levels that are uncompetitive against US styles. It is very unclear why the owners are holding back stocks when prices have reached such firm levels. If Pakistan and Indian trade is reopened, this would cut off a very important market, Pakistan, and make it much more difficult to move this barky crop. The outlook for the 2021 crop has improved, with rains last week in Chaco, Santiago Del Estro, Salta, and Santa Fe. One reason for the hoarding of stocks may be fears of a massive currency devaluation. The official Peso/USD rate reached over 88.50, and the black-market rate is much higher.

US NCC ESTIMATES SUGGEST VERY BULLISH END TO THE 2021/2022 SEASON



The US National Cotton Council released its annual planting intentions survey and a supply and demand outlook that actually drew more discussion than the USDA WASDE. It placed US 2021 planted acreage at 11.5 million acres and harvested acreage at 9.4 million acres, with an average yield at 855 lbs. per acre for a crop of 16.7 million bales. The two aspects that stood out were a 20.7% drop in ELS acreage and a 5.5% decline in the Southwest. Its supply and demand estimates created the most buzz. For 2020/2021, it placed exports at 15.8 million bales, close to our own 16.0 million bales or more. The NCC estimated ending stocks at 4.1 million bales. For 2021/2022, it increased mill use to 2.8 MB, +400 bales and exports at 15.4 MB, which pushed the US carryover down to 2.6 MB. This would be the lowest carryout since 2013/2014 when it fell to 2.35 MB.

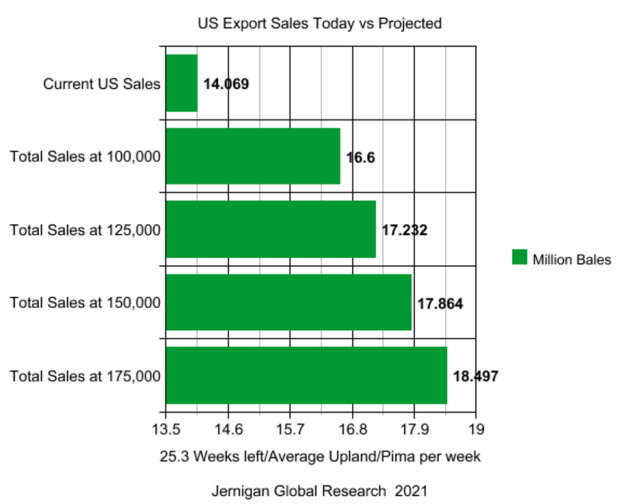
The US carryover of 2.6 million bales immediately illustrated the extreme underpriced level of the Dec 2022 ICE futures contract. On Friday, it was trading near a 1000- point discount for the Dec 2022 futures. This is an extreme, and the absolute price level of 74 cents will not draw the cotton acreage needed to rebuild US Stocks.

US TEXTILE AND APPAREL SURGED 22.3% IN VOLUME, COTTON GAINS SHARE

US textile and apparel imported increased 22.3% in volume terms in December led by a 36.2% increase in textile imports. Apparel imports remained the laggard, falling 1.4% in volume. However, cotton apparel imports posted 2.7% growth, with cotton's share of apparel imports increasing to 43.82% in volume terms. Cotton fabric imports posted 19.9% growth as total fabric imports increased 45.96%. Strong fabric imports growth was noted from China +52.35%, India +79.65%, Turkey +72.98%, Taiwan +47.1%, and Israel +158.26%. Much of this is being fueled by the import of fabric for PPE production. In value terms, the total textile and apparel imports fell 5.9% to 7.329 billion USD, with China remaining the largest supplier, but at just 2.089 billion USD representing a decline of 3.8%.

The strongest growth in value terms occurred from India +11.6%, Pakistan +19.2%, Israel +71.8%, Cambodia +11.2%, and Turkey +19.1%. Total textile and apparel imports for 2020 fell 19.31% to 89.611 billion USD, with China, Vietnam, and India the top three suppliers.

US WEEKLY EXPORT SALES SUGGEST THE US WILL HAVE TO REDUCE THE PACE OF EXPORT SALES



The US reported export sales of 277,100 running bales of upland and 9,700 of Pima for 2020/2021 shipment and 170,100 for 2021/2022 shipment. Export shipments reached the highest level of the season at 433,600 running bales of upland and 7,100 of Pima. We have mentioned for several weeks that the pace of sales from the US could not be maintained without the US virtually committing all stocks before the movement of new crop. ICE futures last week began to show that concern, gaining 500 points at one point and showing a resiliency in holding much of those gains. One of the reasons behind the US export sales surge is the extreme competitive CFR basis and the discounts of the 2020 crop due to quality. Last week, nearby offers rolled to May, which has increased prices. For the moment, CFR basis levels are unchanged. The issue of the invert remains an incentive to sell every bale unless the new crop basis appreciates enough to offset the invert. However, for now that has not happened and appears unlikely with the invert near 450-500 points.

The US has sold 14,069,813 480-lb. bales with 25.3 weeks remain in the season, so at this point it would appear the US will need to limit sales. If sales average 150,000 bales a week, this puts total sales at 17,864 million bales and assumes 16.00 million bales get shipped, which would reduce the carryover to 3.9 MB before any reduction in the final crop size. Carryover sales would account for 1.864 million bales of that carryover. Given pipeline requirements and the small domestic mill needs, the US could sell little additional bales for August through October, except for carryover sales. Thus, the market may need to force sales to be further limited, which can be done by ICE futures or in the CFR basis. It would be in the Trade's best interest for this to occur in the CFR Basis.

SPECULATIVE FORCES TURN TO COTTON/CRB COMMODITY INDEX SURGES

It appears that the speculative forces entered the cotton market in strength last Monday, and by Tuesday the March contract had gained over 500 points. The driver appeared to be the expectation that the USDA might lower the US crop by more than 500,000 bales. The USDA instead left the estimate unchanged, and prices still closed on their highs. This rally occurred as the commodity complex as a whole is drawing similar speculative interest, with the expectation that real inflation is returning and that commodities may offer the best returns. The Financial Times opened Tuesday with a headline, “Investors Set For Commodities Bull Run as Prices Rise in Tandem.” It was unclear how much of the heavy volume came from retail trade, ETF’s or other tools used by the smaller speculative trader. There is a cotton-specific ETF and then there are the large agriculture ETFs that include cotton, such as the Invesco DB AG Fund, which traded over 2.5 million shares on Monday. We have been warning about the force this speculative grouping could bring to bear on cotton. The market retreated but then gained new steam when the weekly US export sales report showed sales of 286,800 running bales for 2020/2021 shipment alone. This is a pace that simply cannot be maintained. One reason for the pace of sales is that the international Trade has maintained CFR basis levels for Brazilian, African Franc Zone, and Greek styles despite the ICE rally, while at the same US CFR basis has remained very competitive. Then you add the quality discounts for the US and these growths remain attractive. By Friday, the CFR basis in Indian was at its weakest point in many years, and the levels for Brazilian, AFZ, and others appear to be weakening.

Inflation and commodities were in the headlines last week. A record flow of funds into ETF’s that offered inflation protection was reported. This inflow included 1.393 billion USD into commodity ETFs outside of energy specific. JP Morgan issued a special report that commodities may not have yet reached a new super cycle, and it cited Biden’s attack against climate change as having unintended consequences. These were just the sort of headlines that trigger HFT, Algo Systems, and also the retail trade. Food Inflation stories also made the economic media.

ICE futures saw heavy volume, with the liquidation of the March contract front and center, and by the end of Friday’s session Open Interest had dropped sharply. The Chinese markets closed on Wednesday, but they failed to show the same momentum to follow ICE. This was related to an elimination of much of the premium of the domestic market to international values, except for Indian styles. Friday’s COT report for the week ending February 9th revealed a few interesting observations. The Trade added a net 19,461 contracts short. Thus, the Trade added new short hedges of 1.946 million bales. Their net short is 156,907 contracts or 15.690 million bales. 120,934 contracts of that net short position or 12.093 million bales are held in March, May, and July futures. On the same date in 2020, the Trade held a 95,311-contract net short position or 9.531 million bales, with 7.578 million bales of that held in old crop futures. This position is tied heavily to a long basis position in non-US cotton. The Overall Net Trade Short is the largest since July 2018.

The buyers in this surge in buying were not the Managed Funds as expected. First, the Managed Funds purchased a net 4,527 contracts, increasing their net longs to only 68,233 contracts and leaving it in the same range as recent months. Thus, they did not launch a new wave of buying. Actually, the Managed Fund Net Long has been stagnant since December. The Other Reportable Funds, in a surprise, were net buyers of 7,653 contracts pushing their net long position to 24,313 contracts. This category of Funds has been quiet for some time. In the past it reflected Chinese Hedge Funds or Chinese owned positions. This category officially includes any speculative group not classified in the other categories. The Index Funds were a net buyer of 2,527 contracts, and Non-Reportable small specs purchased a net 3,184 contracts showing a heavy retail buying volume.

Overall, the COT report indicated a new buyer through the Other Reportable Funds, which raises some questions. The sharp increase in the Trade's short position suggests that if ICE futures move higher from here than CFR basis levels for non-US growths should come under major pressure as the Trade seeks to liquidate these positions and lift hedges in the invert. The Indian CFR basis has already fallen to a level that should generate and switch some sales to Indian. Any move by Pakistan to allow imports of Indian cotton would also remove a major source of demand for US, Brazil, African Franc Zone, Argentine, and other growths. Mill demand has been and will likely continue to be very thin at the current levels. Most CFR price levels are above 96 cents and nearing 100 cents. For spinners and the Textile/Apparel supply chain that serves the Non- US market, the Wuhan Virus is still a major issue. Late Friday, Europe was announcing additional lockdowns, Germany was said to say it had "lost control" and would extend the lockdown through June. This means 50% of 2021 has been impacted by the Virus. The Czech Republic was also in crisis. The EU vaccination effort has been very slow and will not provide the same economic aid as in the US. Overall, these conditions will impact apparel sourcing.

Discount of Dec 2022 to Dec 2021 ice futures

The market now faces several issues. For ICE Futures, with May above 88 cents the Managed Funds remain in a stale position with the power to add volume. Then, who is behind the sudden Other Reportable Fund purchases? Against this backdrop you have a large trade long in non-US cotton hedged heavily in May and July. Will the trade cut the CFR basis for non-US styles and attempt to move this position? Will the trade raise the US CFR basis for pre-October shipments and cut off demand or slow it? How will the Invert be managed? The markets face a host of questions. Overall, the clearest point is that the Dec 22 Futures curve is very underpriced. For spinners, fixed priced purchases of Brazilian or US for October 22 through July 23 shipment at normal basis levels should be attractive. For nearby, on call purchases on ICE for May or July should be avoided until some of the overhanging issues are resolved. For growers, it is clear that consumption is expanding, and it may experience setbacks as the world attempts to emerge from the Virus. However, increased cotton acreage will be needed in the US, Brazil, Australia and others. As brands and retailers seek cotton grown in the most environmental high standards in the world, we are seeing a switch now. The surge in organic prices and the scandal with certification recently has shown this is not an alternative for volume consumers, and payment of the needed premium makes it uneconomical. For US growers, the Revenue Crop Insurance rate based on February prices appears likely to be above 80 cents, which should make cotton attractive for 2021/2022.

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