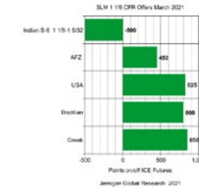
PAKISTAN CONSIDERS IMPORT ALLOCATION FOR INDIAN COTTON & YARN

INDIAN CFR BASIS CONTINUES TO RECOVER



BRAZILIAN BASIS BACK IN SPOTLIGHT

BATTLE FOR US 2021 ACREAGE CONTINUES

JERNIGAN GLOBAL

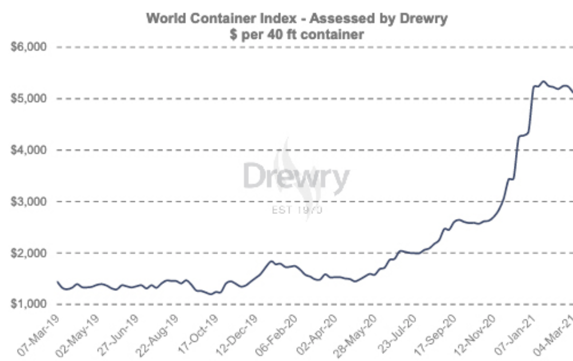
KNOWLEDGE IS THE NEW CAPITAL

SURGING SHIPPING COST FROM CHINA CHANGING ECONOMICS OF TRADE –EUROPEAN BUYERS CANCEL ORDERS

The surge in shipping costs and delays out of Chinese ports to Europe and the US are changing the entire economics of sourcing. For Europe, the situation is a crisis due to the EU's switch to focus its trade with China instead of the US and other regions. In 2020, China became the largest trading partner of the EU, with imports from China expanding 6.7% despite the pandemic. China's 2020 exports to the EU reached 390.978 billion USD, while they imported 258.559 billion USD from the EU, leaving a trade deficit of 132.428 billion USD. The growth was driven by Germany, France, Italy, and the Netherlands. China's exports to Germany increased 8.8%. The growth in trade has strained shipping lanes and resulted in a sharp increase in shipping cost, port congestion, and delays. The need for European and US companies to rebuild inventories across the supply chain has overwhelmed the freight industry. The price to ship

a 40-foot container from a Chinese port to Europe has surged 300%-400% from a year ago. The rush to ship from China has left empty containers piling

up all around the world, creating a critical shortage of containers in China. The Shanghai Containerized Freight Index, which measures the overall cost of container shipping cost from China, has soared. The index is global but weighted 20% to the European route, 10% to the Mediterranean route, 20% to the US west coast ports, and the balance to other locations' markets. In January 2018, the index was at 888, in January 2020 it was at 1124, and by November 2020 it had nearly doubled to 2091. As of January 2021, it had increased to a record 4452. Thus, the cost of shipping from China had increased more than four times the freight cost in 2018. Another measurement, the Drewry World Container Index, measures the cost of moving a container from Shanghai to Rotterdam. In January 2019, it was 2,100 USD, it was at 1,600 USD in January 2020, and on January 7, 2021, it stood at 8,900 USD.



Drewry World Container Index

Such increases in freight cost have changed the economic picture of everything, and then there is the issue of port congestion. The congestion problem is quite severe in Europe where the largest UK container port, Felixstowe, is reporting serious problems. Rotterdam, the largest port in Europe, has been overwhelmed, and the Antwerp port is also experiencing congestion problems. It has spread to the Mediterranean ports with the Greek port of Piraeus reporting issues with labor strikes adding to the delays. On the Asian side, all the Chinese ports and Hong Kong are experiencing major delays and increased cost. A serious shortage of containers is occurring in the Chinese ports and Hong Kong, and it is causing 2-4 week delays out of Hong Kong and increasing cost. China increased the production of new containers, but the cost of a container has risen sharply to a record 6,200 USD. All of these issues add to the cost. Containers are stranded at remote locations in Australia, Eastern Europe, and the US interior, while Chinese ports are seeking government assistance in finding containers.

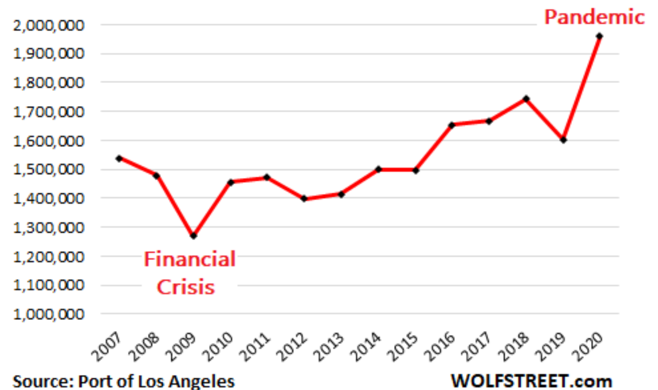
The price increase and shipping delays are the most

critical in Europe. The situation has grown very serious with the increased cost making the importing of the goods too expensive. The purpose of sourcing in China was to obtain the cheapest product. However, the increased cost of freight and the time delays have eroded that advantage. Because of this, European importers are canceling orders and not replacing with new orders. Chinese textile and apparel exporters are reporting that this is presently a problem. Also, Chinese exporters do not have the margins to absorb the higher cost without passing along the price. Many Chinese companies are switching to the domestic market, because exports are just not profitable unless the buyers are willing to absorb the higher cost. Even the Chinese exporters who started using the land route through Xinjiang to Europe by train are reporting new congestion and delays caused by the numerous border crossings and customs. Amid these conditions, a shift in apparel sourcing away from China to a nearby market is occurring. Turkey is the major beneficiary since it has the ability to serve the major European markets like Germany and Italy in just a few days by truck. In addition, delay risk is avoided and the switch to Turkey allows for much better inventory management. In the surge in imports since November 2020, many companies did not receive the goods they ordered for the holiday season. Products arriving today that were expected in December will probably face discounting or be placed in inventory, thus companies lost sales opportunities and now have the added cost of inventory.

Chinese apparel exporters report an increased flow of canceled orders from Europe after the return from the New Year Holiday, which has cast a shadow over the rather robust conditions that have prevailed across the Chinese textile markets since the return to work. Moreover, European orders are also being impacted by the fear of a double dip recession. German retail sales in January fell 4.5% following a 9.1% decline in December. Non-essential German stores have been closed since December, and the lockdown has been extended through most of March. Such a prolonged closure has an impact on inventories and creates the need for a much shorter and manageable supply chain. Retailers need to hold reduced inventories and then have the ability to order variable quantities for short delivery periods. The Covid 19 vaccine rollout has been very slow in Germany and much of Europe, which has slowed recovery. Spanish unemployment hit four million people, which is the highest in five years. The European apparel market is very important to Chinese exporters, rivaling the sales to the US. Thus, the slower shipments are being felt.

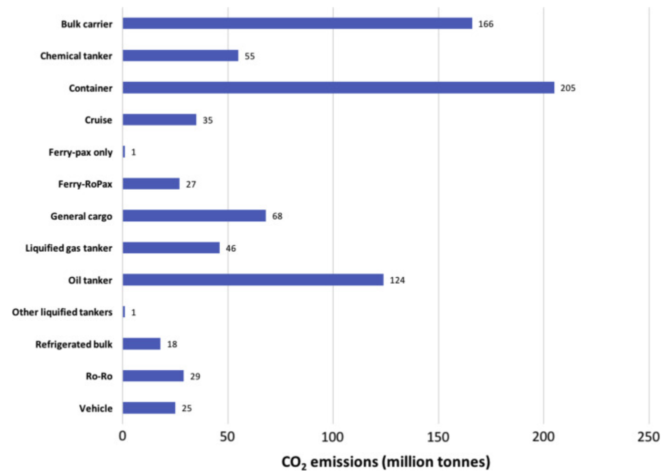
The situation in Xinjiang has had a limited impact but is finally beginning to be felt. In the UK, which imported 72.6 billion USD of goods from China in 2020, the debate is underway to place restrictions on imports from Xinjiang. The BBC and British press are almost daily highlighting the ongoing plight of the Uyghurs and the use of slave labor in China. This is affecting sourcing by British brands and retailers, which are beginning to make pledges to be Xinjiang-free supply chains. This has also increased the souring in Turkey as well as India, Pakistan, and Bangladesh. The Netherlands' parliament passed a non-binding resolution calling the Chinese actions against the Uyghurs "genocide." Such actions are beginning to change sourcing patterns, and again, Turkey is the first to benefit.

For Turkey, these events are having a significant impact, and we expect the shift to sourcing apparel and textiles from Turkey to dramatically increase during the next several months. Unlike many of the other nearby sourcing alternatives, Turkey offers a turnkey solution with state-of-the-art design and logistics. It also has the fibers, especially cotton, while most of its nearby competitors are mainly cut/sew centers with little if any design ability. It is hard to overstate the advantage of 2-4-day deliveries and an end of shipping delay risk. Cotton consumption in Turkey will expand, and new capacity will likely be added. In 2021/2022, we expect that eight million bales could be used. This growth will, in part, come at the expense in growth of consumption in China.

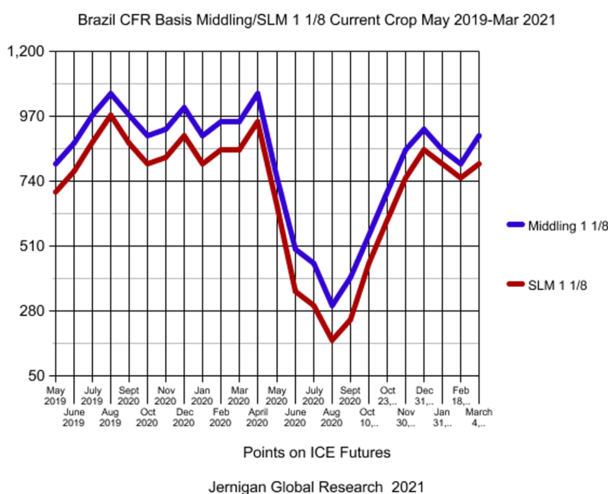


The issues of increased freight cost, shortage of shipping containers, and port congestion have not been confined to Europe but are also occurring in the US, especially increased delays in the unloading of ships at the West Coast ports. The congestion at the Port of LA and Long Beach and the shortage of containers are causing issues with the exporting of cotton, as it seems many ships are rushing to return to China, and they do so empty. The problems are linked to the restocking of US supply chains resulting from a rebounding economy and an over reliance on imports from China and other countries. The situation has resulted in a problem with the shipments of empty containers back to China, especially from the Port of LA, Long Beach, New York, and New Jersey. The National Retail Federation reports that US imports in January were 2-3 times the volume of recent years. This scale of growth has added to the cost (which is at least 2-3 times that of a year ago), delays, and also the environmental cost of the offshoring. These issues are now a part of a new consideration. The added cost has brought into question the economics of sourcing the cheaper apparel items. For example, a once extremely cheap cotton t shirt may now cost 6-7 USD to import after freight, duties, and delays. However, this compares to a shirt made in the US or CAFTA at 7-9 USD. The near-shored product provides a quantifiable advantage to inventory management. The new calculation that will come into play over the next 12 months is the environmental cost. The entire offshoring model is built on extended shipping time by truck, rail, and ocean freight. Each of those methods uses fossil fuels and is a large source of emissions. More and more brands and retailers are making pledges to reduce emissions and become carbon neutral, so these goals mean a different supply chain. If the carbon footprint of a product's entire supply chain's freight cost is calculated, the economics begin to change. These costs are being calculated as part of the climate change cost, and this is

now the focus of the current US administration and also all major US business, led by Amazon and many others.



BRAZIL BASIS HOLDS AS FEBRUARY EXPORT SHIPMENTS MEET EXPECTATIONS



In February, Brazil proved itself quite resilient as its agriculture industry experienced solid export shipments despite infrastructure issues. Brazil's soybean exports in February were the second largest on record for the month at 5 MMT despite the rains and muddy roads to the northern ports. February cotton export shipments reached 235,500 tons or 1,082,004 bales, which was up sharply from February 2020 levels of 170,000 tons. One question is how much of those shipments to China moved into bonded warehouses and remain unsold. Bonded warehouse inventories have been building and are made up of Brazilian and Indian and, to a smaller degree, US. The July 2020 to February 2021 total exports have reached 1.8 MMT or 8,270,100 bales.

The heavy rains continue across Mato Grosso, with Sorriso last week receiving 250 mm or ten inches in one hour, resulting in flooded fields. The forecast continues to indicate heavy rains across Mato Gross in the near-term. Argentina, in contrast, will continue to experience below normal rainfall. The final 2019/2020 production estimates for Mato Grosso have confirmed a record yield of a very impressive 8.78 bales a hectare with production of 2.16 MMT.

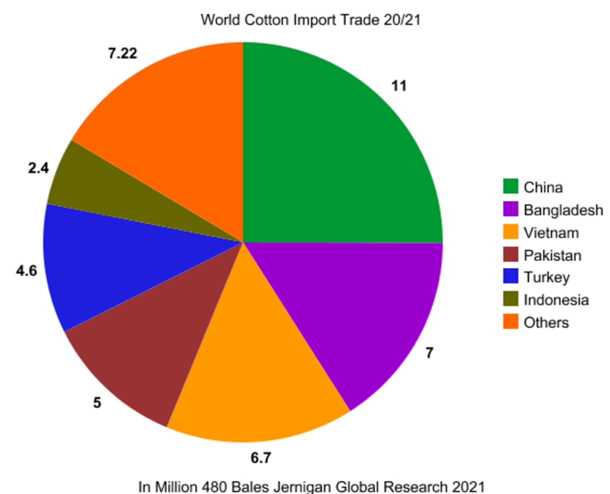
Early indications are that Mato Grosso will expand acreage in 2021/2022, with planted acreage reaching a record 1.243 million hectares. That combination of acreage and yield would give the state the potential to produce its first 11 million-bales crop. CFR basis levels have remained steady for both 2019/2020 and 2020/2021 crops.

The current system of trade simply does not work well for the domestic textile and apparel industry. It is burdened by high production cost and a lack of adequate credit resources. This means it is seldom able to acquire the domestic cotton during the peak movement, buys hand-to-mouth, and has found itself many seasons needing cotton in the second half of the season, well past peak movement. In many seasons the crisis occurs in the last few months before the movement of new crop. This year, the Wuhan Virus crisis hit Brazil very hard and is still raging. This has kept spinners and the entire supply chain with thin inventories. A pickup in consumer offtake has resulted from domestic spinners coming to the market for nearby requirements but at a time when growers have sold 90% of the 2019/2020 crop and merchants are focused on filling export sales with what has recently been very brisk shipments. The ESALQ Index of a

41-4-35 landed Sao Paulo is an index that draw lots of critics. Nonetheless, the index moved higher last week, reaching 92.27 cents on March 4th, which reflected a large premium over ICE. Domestic demand prospects are far from assured as the virus rages through the country, and the Manaus variant, which has twice the transmission, is causing problems. Some cities are locked down while others are open. These conditions make it very difficult for spinners covering needs at the large premiums. The BBM shows less than 10,000 tons of 2019/2020 crop has sold to the domestic market since February 1st, with volume dropping last week to below 1,000 tons. Thus, the Gains in the Index are driven by very light volume.

PAKISTAN GOVERNMENT CONSIDERS ALLOWING IMPORTED INDIAN COTTON

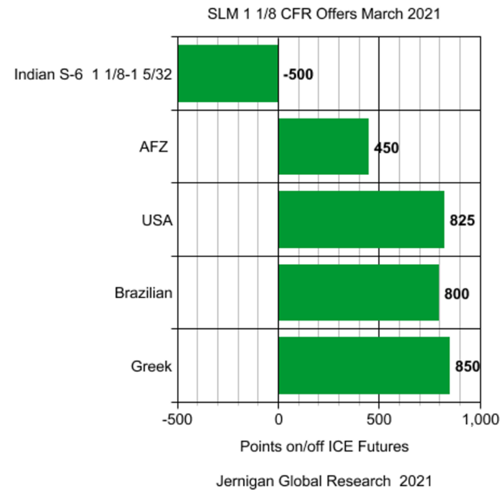
Cotton trade in Pakistan slowed dramatically when press reports last Sunday indicated the Prime Minister was considering allowing cotton fiber and possibly cotton yarn imports from India. The imports, if allowed, would be transported via the land route. The new chance of trade being restored has followed a new ceasefire agreement with India along the line of control. With Indian cotton selling at a record discount to every other growth, this brought import trade to a halt. Such an agreement would allow for significant cotton imports from India and save spinners millions of USD. Prior to the news, some additional discounted African Franc Zone, Argentine, Tanzanian new crop, and US recaps sold. Pakistan is expected to import over 5 million bales in 2020/2021 and a similar volume in 2021/2022, making it the fourth largest cotton import market. It is expected to account for 11.38% of total world trade in 2020/2021. Pakistan's closure of trade with India damaged the Indian basis, shutting it out of the fourth largest market. It also stimulated increased demand for US, Brazilian, Argentine, and West African cotton. US 2020/2021 upland sales to Pakistan have reached 1.494 million bales, and an even larger amount of Brazilian has sold. Thus, a reopening of the Indian trade would have a major impact on US and Brazilian export prospects. Approximately 679,800 running bales of the US upland sales are unshipped.



We expect Pakistan cotton consumption to increase in 2021/2022, allowing import demand to expand even if domestic production rebounds somewhat. The Indian CFR basis firmed since the reopening of trade became a possibility. The reopening would have its greatest impact on the CFR basis for US and Brazilian SLM 1 1/8 or 41-4-36 styles, which have been very popular

in Pakistan. The Brazilian CFR basis for this grade has firmed. Because of this, offtake and the sharp reduction in trade would likely cause it to weaken as exporters turn to Turkey and Vietnam. The basis for this popular style is currently at 800-900 On May, compared to a range of 600-1000 On for US E/MOT and 300-900 On for Brazilian over the past 12 months. The volume of demand from Pakistan has been very important. In contrast, Indian SLM 1 1/8-1 5/32 Shankar-6 last week was offered at 1100 points Off May, which means this style could be purchased by Pakistani mills at a 1900-points discount to US or Brazilian. The basis improved to 900 Off by Thursday. We would expect demand for Brazilian and US of this type to collapse if Indian can be purchased. Indian and Pakistan cotton is very similar, and Pakistani mills can use and deal with the issues of Indian cotton. Thus, the reopening of Indian trade will be a major development in the global cotton market if it occurs and will have a significant effect on basis levels.

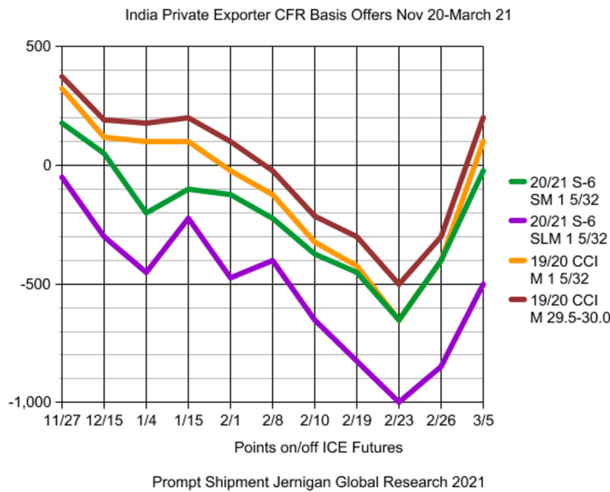
As the week drew to a close, the rumors suggested Pakistan will issue an import quota for Indian cotton for the March-May period. The volume of the quota is not yet known, but it would end additional purchases of US and Brazilian for the most part at the current price differences. Pakistan's import requirements for



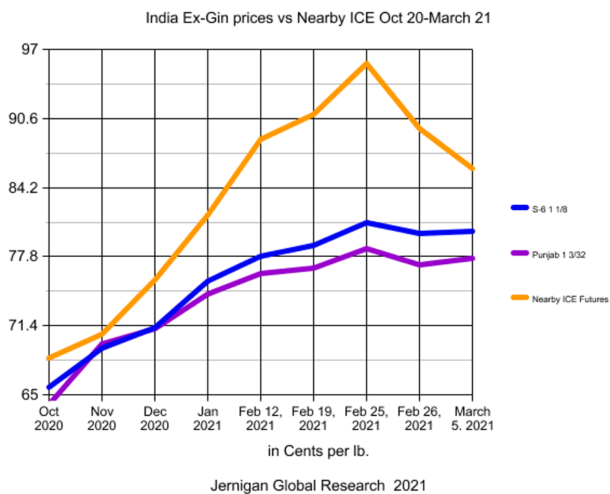
March-May should equal approximately 1,251,000 480-lb. bales or 272,282 tons. The quota could be some percentage of this, which could mean a sizeable block of non-Indian cotton demand would be removed. One discussion was of 1 million 170-kg bales quota or 170,000 tons. In addition, the momentum appears to be building to also allow cotton yarn imports, but again, the volume is not clear. Approximately 50,000 tons is one consideration.

CERTIFIED FARMER
F
GIVE-BACK
FIELD to CLOSET
A RESPONSIBLE CHOICE FOR
BRANDS, RETAILERS & MANUFACTURERS
Making farmers lives better with a more equitable supply chain
WHY COTTON?
Comes from Nature, Returns to Nature

INDIAN CFR BASIS MOVES SHARPLY HIGHER FOLLOWING DEMAND AND PROSPECTS OF PAKISTAN TRADE



For the last several weeks we have focused on the movement of the Indian CFR basis to a record discount to other international growth and the distortion this was having on the global values of cotton trade. It was one of the main drivers also behind the price pressure that caused ICE futures to drop 1000 points or more from their highs. The Indian ex-gin yard price reached 1300 Off May ICE futures, but by Friday it stood at near 700 points discounts. Indian CFR Asia export basis levels have moved sharply higher during the past week as demand kept the ex-gin yard price of a Shankar-6 1 1/8 above 80 cents as ICE tumbled. A very large volume of export trade occurred during the period of the record discount, with China the largest buyer followed by Bangladesh, Vietnam, and many others. The CCI has rapidly been depleting its stocks, and it's interesting that the CCI has been raising its floor prices and has never yet lowered prices for its auctions. By last Friday, sales from the CCI, and also to spinners, slowed as prices rapidly recovered.



On March 1st, the CFR basis for a Shankar-6 1 5/32 from a private gin was 500-525 Off May, and a S-6 SLM 1 1/8-1 5/32 was 1050-1100 Off May. By Friday, the basis for a SM 1 5/32 stood at even to 50 Off May, its best basis in weeks, and the SLM 1 1/8-1 5/32 was at 500 Off. At these levels, Indian remains at a discount to African Fran Zone. The cheapest AFZ SM 1 1/8 was at 600 On, and a 1 5/32 was at 850 On, leaving Indian at an 850–900-point discount. The discount to a US was 1350-1400 points as with Brazilian. Such discounts continue to make Indian an important part of trade. All attention is on the possible resumption of trade with Pakistan. Indian domestic ELS prices have also posted sharp gains during the last week, with a DCH 34 reaching near 140 cents compared to US Pima at 167 cents and Egyptian 94 at 150 cents. Indian organic cotton prices are very tight and prices at extremes if you can find an offer, thanks to the end of fake organic, which has changed everything.

Indian cotton fiber exports in December reached 120,987 tons, with Bangladesh and China the largest buyers. August-December exports reached 478,006 tons, with China taking 184,563 tons. 2020/2021 Chinese purchases of Indian cotton will be one of the highest on record. December cotton yarn exports reached 91,011 tons and now total 447,042 tons, with China and Bangladesh the top buyers.

CHINA'S ZCE COTTON PRICES STALL AT 17,000 RMB OR 119.44 CENTS

In recent years, Chinese domestic cotton prices have found resistance as they neared 17,000 RMB a ton or near 120 cents US a lb. This resistance developed as the ZCE market matured and became a major risk management tool and provided a free market price within the confines for the state involvement and guidelines. The ZCE exchange has developed into a major commodity exchange that, yes, draws record speculative volume but also actively serves the interest of hedgers and has proven very astute at controlling excessive speculation. The exchange stands out for its attention to the details of making the contracts link to commercial trade in China. For the cotton contract, most cotton can be traded On Call the ZCE at a basis, and much of the time international merchants offer mills US and Brazilian cotton On Call the ZCE as well. In recent years, the contract has drawn large, certificated stocks for delivery while not allowing these stocks to over impact the market, which has put some degree of carry in the market much of the time. Its expansion into a cotton yarn contract is expanding commercial hedging, and its PTA and polyester staple contracts are both commercial benchmarks. All this is being said to emphasize that the price behavior of the ZCE is important.

Since the reopening of the Chinese market following the New Year holiday, the entire textile market has experienced a major rally and surge in cash prices actually led by polyester staple and its feedstocks. That euphoria appeared to peak at the end of previous week, and last week the entire complex was in retreat. The rally was caused by emotion and a very thin inventory of almost every product. Actual demand during the rally was thin, and by the end of last week all prices were in retreat as demand had failed to follow the gains and the impact of slower export orders filtered back through the supply chain, turning buyers cautious.

The China Cash Cotton Index, which is for a 328 or Middling 1 3/32, ended last week at 114.68 cents, which was a 1.47 cents loss for the week. The lead May ZCE futures posted a high of 16,850 RMB a ton, which was lower than the previous week's highs of 17,080 RMB a ton. The May contract closed the week at 15,990 RMB a ton or 112.18 cents, which was a 430 RMB a ton or 3.02 cents a lb. loss for the week. Mill offtake of physical cotton was slow, with most spinners unwilling to pay the higher prices. The low inventory of cotton yarns made the yarn market the best performer last week. The average cash price of the most popular cotton yarns was unchanged to a few cents a kg higher, while the May cotton yarn futures contract lost 70 RMB a ton for the week. The man-made fiber markets were also weaker, with cash polyester prices falling about 3.67 cents a lb. back to 52.30 cents and with the very popular polyester staple futures losing 658 RMB a ton for the week. PTA prices were also lower.

BATTLE FOR ACREAGE IN THE US CONTINUES

The final USDA Crop Revenue Insurance averages for February indicated that soybeans posted the strongest gains from last year at 29% and a price of 11.87 USD a bushel. Cotton was second with gains of 22% with a price of 83.00 cents, and corn gained 18% with a price of 4.58 cents. The US needs to add total acreage to corn, soybeans, and cotton, and it is a battle as to which crop wins. The first focus is on prevented acreage, which is acreage that was prevented from planting by weather developments. In 2020, prevented acreage totaled 10.2 million acres, and in 2019 it reached a record 19.2 million acres. In 2021, it needs to be reduced to only 2-3 million acres, which will be difficult to achieve. For cotton, not only is it a battle for acreage in the South and Southeastern belts, but there is a serious Texas drought to deal with. The outlook for West Texas is dry through next week with only the easternmost areas having any chance of rain. One forecast has a major rain event occurring in the region ten days or so out, which will be important. The entire Texas belt needs a significant rain event. The RGV and South Texas are too dry as well. Texas cotton acreage in 2018 reached 7.750 million acres, but in 2015 it fell to 4.8 million acres.

Nov Soybeans/Dec Cotton/Dec Corn performance comparison

The US grain markets posted sharp gains Friday as the tightness in stocks and South American weather remains an issue. In addition, for soybeans, a new source of demand may emerge if the Sustainable Aviation Fuel Act is passed. This act provides a 1.50-1.75 blenders credit for the use of soybean oil in aviation fuel and is supported by the administration.

Last week it was corn and soybeans that won the price battle, with December corn gaining 2.4% for the week and November soybeans gaining 2.04%, while December cotton was flat.

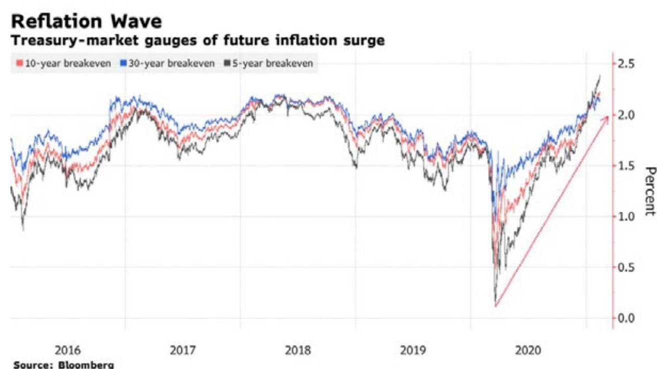
ICE FUTURES FIND SUPPORT AFTER A NEAR 1,000 POINT PLUNGE

Last week trade in ICE cotton futures was a bit bizarre. The week opened with a surge of buying which entered the market as prices opened Sunday night in Asia. Near a fifth of the daily volume occurred in the normally illiquid early Asian trade, with prices gaining from 277 to 393 points. At the same time, waves of buying moved into other markets. The gains consolidated in US trade, and May closed 274 points higher at 91.59 cents after posting a high of 92.80. This session was a stand-alone event, with the next three sessions bringing heavy losses before prices on Friday found support in May below 86 cents. Two weeks ago, we suggested that the ICE price structure had become heavy, with the CFR basis coming under pressure across Indian, African Franc Zone, and other growths. Also, the record discount of Indian cotton totally changed the value proposition. At the same time, the reinflation trade remained at the forefront, with fears of

new Fund allocations prevailing. ICE did stumble and then failed to draw the needed volume of new Index

or Funds buying to offset the weight of another large block of Indian cotton moving into the Trade's long positions. The discount of Indian cotton also switched the focus of much of the trade that occurred to Indian. Moreover, the price resistance of 102-106 cents CFR Asia for the main US, Brazilian, and Australian growths was sizeable, with spinners moving to the sidelines. Adding to the halt in trade in many growths was the momentum of the Pakistan government allowing for import of a sizeable volume of Indian cotton and possibly yarn. This slowed or halted all demand for US, Brazilian, and Argentine growths from Pakistan, which is now the 4th largest import market. Chinese buying interest, for the most part, turned principally to Indian because of the discount.

Against this backdrop it was not surprising to see ICE prices retreat, with May finally halting its decline just below 86 cents. Starting with Friday's weakness, the fixation of open On Call positions became a supportive feature. This price collapse eased the upward pressure the remaining open unfixed purchases have had on May and July. In the six sessions ending on Thursday, Open Interest fell 12,233 contracts indicating sizeable liquidations. The CFTC report confirmed that it was indeed the Trade that was the largest buyer in the week ending Tuesday as it reduced its net short position by 11,168 contracts to 146,459 contracts, suggesting a large drop in next week's On Call sales unfixed. Swap, Managed Funds, Index Funds, and Non-Reportable specs were all sellers, with only the other Reportable Funds the other buyer.



The CFR basis for US styles began to firm by Friday following the sharp losses in futures. The invert, however, remains a major problem. The invert shrunk to 405 points on Friday before widening back out. US export sales for the week ending February 25th were still quite high at 169,000 bales net for 2020/2021. Sales can fall to just below 50,000 bales a week and still meet USDA targets. Shipments remain very brisk. Census Bureau data continues to suggest some upward adjustment in shipments is likely. While the drop from Monday's highs was dramatic, the loss for the week was only 1.18 cents for May with Dec nearly flat. It was however a week of great volatility. The darling of the green economy, Tesla, lost approximately 90 billion USD of its market value, and the losses for the last three weeks in the NASDAQ reached 1.6 trillion USD before the index reversed on Friday. Crude oil closed at a 52-week high, and the markets continued to battle with the prospects of inflation.

Overall, the correction placed cotton prices in a much healthier position. The price resistance at 103-106 cents CFR Asia landed the mill remains an obstacle. The swift recovery in the Indian CFR basis is also positive, and an approval of cross border trade with Pakistan would further narrow the discount. This would, for the moment, reduce demand for US, Brazilian, Argentine, and African Franc Zone styles. If the reopening occurs, it should readjust the intergrowths spreads and also slow US sales to manageable levels. The invert makes the outlook for May and July ICE more difficult. However, as we mentioned before, we expect the main attention to soon turn to the 2021/2022 crop. We have been of the opinion that the 2021/2022 and 2022/2023 futures strips are undervalued. A look at a theoretical 2021/2022 crop Cotlook A Index illustrates this. Currently, Cotlook is quoting African Franc Zone new crop and Brazilian. If a basis of 1000 On Dec for a MOT Middling 1 1/8 is used and a Memphis/Eastern M 1 1/8 at 1050 points On Dec you have an A Forward Index, Indian new crop is not offered. This gives you a Forward A of near the same as the Current A, no Invert. We expect consumption outside of China to increase in 2021/2022, and we expect China's import demands to continue due to the Xinjiang problem and a feeling the discounts are unjustified.

Several major issues are at the forefront. First is the Inflation trade. The current administration is pushing to spend large amounts of funds across many areas, and this is increasing US deficits and increasing long term yields. Hedge funds are making major plays that inflation is coming back, and the moves are causing major volatility in the bond markets, which have been in a 40-year bull market. Bloomberg reported last week that a market-based measurement of inflation expectations exceeded 2.5% for the first time since 2008. One major hedge fund has forecast 2021 inflation will reach 10-15% as the Biden administration spending occurs. This is important, especially in the outlook for 2021/2022. The speculative limits in cotton will more than double on March 15, which means the funds can more than double their position at any time. The limits will also increase for the grains. Thus, the inflation

trade remains a major market issue.

For cotton, the second is the drought in Texas, which will determine if the US produces 15 or 20 million bales. It's probably not a stretch to say that we are in a period between now and late June in which a million plus-bale rain event could occur or not. After that, it is the standing acreage that matters. A National Weather Service July/August outlook is concerning. The third is US/China relations. China is certainly making it difficult for any improvement as its Bravo continues. Last week was a very brutal week for Hong Kong and the ongoing denials of Xinjiang concentration camps. A new poll in the US suggests both parties are likely to continue to push the Human Rights issues. Against this backdrop, silence on year two of the US/China Trade Agreement. Purchases of US agriculture products have slowed, and it remains to be seen if the agreement continues. If it does, an additional volume of US cotton would likely be sold for latter 2021 shipment. US sales of cotton to China for 2020/2021 stand at 4,791,600 running bales.

These events suggest the New Crop months should find support on any extended correction toward 80 cents until these are resolved. The upside would appear to have potential, with each of these events likely to create upward momentum. Spinners need to be aware of these and understand the attraction of the discount.

Jernigan Commodities Global, LLC and its offer of services, whether given orally or in writing or in electronic form, has been prepared for information purposes only. This newsletter may contain statements, opinions, estimates and projections provided in respect of future periods. Such statements, opinions, estimates and projections reflect various assumptions concerning future results, which may or may not prove to be correct. As a result, no representation, warranty or undertaking, expressed or implied, is or will be made or given in relation to the accuracy of any such statement made in this brochure. In particular, but without limitation, no representation or warranty, is given as to the achievement or reasonableness of future projections or the assumptions underlying them, management targets, valuation, opinions, prospects and returns, if any. Consequently the recipient of this newsletter must make their own investigations and must satisfy themselves as to the particular needs of the recipient and seek professional independent advice. Jernigan Commodities Global, LLC disclaims all liability at law and in equity from any and all damages, loss, claims, liability, costs and expenses of whatever nature arising directly or indirectly out of any act, omission or decision made by the recipient in reliance upon this brochure or any statements made by any director, officer, employee or agent of Jernigan Commodities Global, LLC.

JERNIGAN GLOBAL
KNOWLEDGE IS THE NEW CAPITAL

@Globalej

@JerniganGlobal

Eddie Jernigan

Register for Research
info@JerniganGlobal.com

ed.j@jernigancg.com

JerniganGlobal.com