



JULY 3, 2020

ACREAGE REPORT IGNITES MARKET RALLY THIS WEEK

- December Futures Move Higher as July Futures Close
- USDA's Acreage and Prospective Plantings Reports Show Variance
- Crop Condition Categories a Mixed Bag Throughout Cotton Belt

With July futures almost completely gone, December futures have taken center stage. The limelight seems to favor December, which managed to surge higher. After a low at 58.85 cents per pound on Monday, December climbed for the rest of the week, reaching a high of 62.98 cents on Thursday. December prices settled near the highs at 62.95 cents on Thursday, up 325 points for the week. Open interest jumped 7,797 contracts to 166,778, rebounding from last week's multi-year

lows. Daily trading volume also put in a multi-year low on Friday at just 8,428 contracts traded, but volume rallied sharply as December moved higher later in the week.

ACREAGE REPORT

On Tuesday, the USDA released the Acreage Report, which is meant to reflect what producers actually planted this year, although some of that planting was still happening when surveys were sent out. This report's figures will now replace the Prospective Plantings figures from the end of March, which reflected what producers intended to plant. The report was a shocker for the cotton market. In most years, the Acreage and Prospective Plantings Reports have little variance. Where the Prospective Plantings had anticipated 13.70 million cotton acres, the Acreage Report recorded only 12.19, an 11% drop. Publicized analyst estimates had not gone lower than 12.5 million acres, and the average was 13.2. Needless to say, the lower plantings implied a sharp drop in U.S. production potential, which ignited this week's rally.

EXPORT SALES

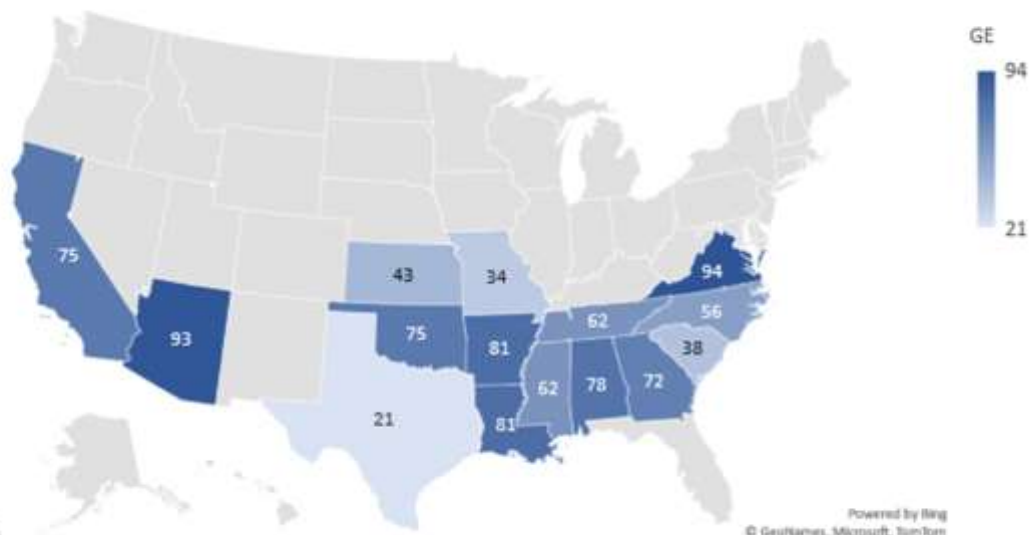
Export sales have not changed substantially from the past several weeks. China and Vietnam continue to dominate sales activity and there are few other markets participating at all. Despite the concentration in too few markets, the volume of sales was still strong. Net new sales for the current marketing year (ending July 31) were 67,300 bales and sales for next marketing year were 246,200 bales. Upland shipments were 277,000 bales, which was slightly below expectations.

CROP PROGRESS AND WEATHER

Overall crop condition slipped just slightly on Monday's Crop Progress Report. While Texas cotton had some crop move out of the "very poor" and "poor" categories into "fair", there was also a small drop from the "good" and "excellent" classification. The crop is a mixed bag in the rest of the Cotton Belt as well, with

some states getting better and others worse. Missouri and South Carolina conditions declined, but Oklahoma made a nice improvement. 35 % of the crop is now squaring, and 9 % setting bolls, which are both fairly close to last year's pace.

U.S. Crop Conditions % Good-to-Excellent



Source: USDA

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THE WEEK AHEAD

It is a short week with the July 4th holiday closing down futures trading on Friday. The cash market is in summer doldrums and there is relatively little going on. Traders will continue to watch the weather and Crop Progress and Condition Reports even more closely, having had their planted acreage estimates recently revised. Export sales will also be a focal point as traders continue to watch whether China keeps buying or demand manages to diversify.

IN THE WEEK AHEAD:

- *Delayed-Monday, July 6th at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress Report
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call