



JUNE 28, 2019

REPORTS RELEASED, FUTURES FINISHED THE WEEK UP

- **Crop Progress and Conditions a Mixed Bag Across U.S.**
- **USDA Acreage Report Puts Cotton Planted Acres at 13.72 Million**
- **U.S. Export Sales Relatively Low**
- **Xi-Trump Meeting at G-20 Summit**

December futures kept within the past month's trading range as traders sat tight waiting for more direction in the market. Positive talk about the possibility of a trade deal with China seemed to whip futures to the week's high of 67.60 on Wednesday, but expectations quickly moderated. December futures finished the week at 66.08, up 56 points from last Friday. Average daily trading volume was the lowest since late-November, and open interest finished the week at 175,945 contracts, which is nearly the lowest level in four years.

CROP PROGRESS AND CONDITIONS

Monday's Crop Progress and Conditions Report was a mixed bag. Planting was still behind pace, but it did catch up some. However, the percentage of planting completed seems to go to 100 percent as soon as producers' window closes. Planting being "finished" is not the same as completing 100 percent of the intended acres, but they may both get reported the same. Squaring data was also skewed by ahead-of-pace reports in the Southeast and Southwest, but Louisiana, Mississippi, and Missouri were all more than 20 percent behind their five-year averages. Condition was also better than last year, but only five states had combined "Good" and "Excellent" ratings above last year. As we remember too well, the Southwest was in awful shape last year, and Texas had just 19 percent rated "Good" or "Excellent" versus 41 percent this year. Outside Texas, Arizona, Oklahoma, Louisiana, and Virginia, crop conditions are under-performing last year. California is an extreme example with zero percent rated "Good" or "Excellent" as of last Sunday.

USDA ACREAGE REPORT RELEASED

Traders got more mixed signals from the Acreage Report, which was released at 11:00 AM Central on Friday. The report, which covered all commodity crops, will form the basis for the USDA's planted acreage and production estimates on the July WASDE report. The report is based on surveys given to 75,000 producers who indicate how much acreage they have planted and intend to plant to different commodity crops. The survey does not gather data on final planted acreage, abandonment, or yield. Corn came out the big winner with 3 percent greater acreage expected, but soybean plantings were shockingly expected to decline 10 percent. Corn prices immediately fell, while soy rallied. Cotton's expected acreage showed a decrease of 80,000 Upland acres and an increase of 20,000 Pima acres for a net decrease of 60,000 acres from the March survey, which puts total cotton planted acres at 13.72 million.

U.S. EXPORT SALES RELATIVELY LOW

On the demand side of the scales, U.S. export sales were relatively low. In the week ending June 20, exporters sold 72,000 bales of Upland cotton for shipment before the marketing year closes on July 31, and another 45,300 bales for next marketing year. Pima sales totaled 9,000 bales. Combined shipments were 339,700 bales, which was below the average needed to hit the USDA's June U.S. export forecast at 14.75 million bales. The slow shipments have many traders expecting the USDA to cut its export estimate on next month's WASDE report, which

would lead to bigger beginning stocks going into the 2019/20 marketing year.

MARKET'S ATTENTION ON U.S./CHINA TRADE NEGOTIATIONS

Despite all the crop watching and attempts to gauge demand, what really has the market's attention now is the outcome of the Xi-Trump meeting at the G-20 summit in Japan. Administration officials on both sides of the pacific have alternated putting forth the usual good-cop, bad-cop messaging about who needs a deal more and what pre-conditions there are (or are not) for a deal. Only Presidents Trump and Xi can really say, and they both seem undecided. For the most part, commentators expect a truce with regard to any additional tariffs and a resumption of trade talks, but that is all. Anything more or less than that would be a surprise for most markets, including cotton.

IN THE WEEK AHEAD:

- Monday at 3:00 p.m. Central – Crop Progress and Condition
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 2:30 p.m. Central – Commitments of Traders