



JULY 30, 2021

MUCH OF COTTON BELT NEEDS MORE RAIN AND HEAT

- Fed Announced Interest Rates Will Remain Unchanged
- Sunday, August 1 Marks Start of New Marketing Year
- More Rain and Heat Needed
- August WASDE on the Horizon

Prices started the week with a dip but recouped early losses fairly easily this week. December futures fell as low as 87.96 cents per pound in overnight trading Sunday night, but that did not last long. In fact, futures rallied off Monday's lows and kept on climbing through Wednesday's open. Prices moderated after an unsuccessful attempt to rally through 91.00 cents, finishing the week at 90.31, up 45 points for the week. Despite a fresh life-of-contract high for the December contract, trading volumes

were lighter than last week. Open interest has continued to climb, gaining 10,153 contracts to 247,615.

OUTSIDE MARKETS

Although China's stock markets have been terribly shaken by a Communist Party crackdown on certain technology and education firms, the rest of the world's stock markets were relatively steady this week. That is particularly surprising because this was a Federal Reserve announcement week. On Wednesday, the Fed announced that it would keep interest rates unchanged and that it did not see the need to taper its asset purchases yet. Although many traders and investors think the Fed should have already started to raise rates, Thursday's economic data provided the open market committee all the cover it needed for now. Personal consumption expenditure soared, but U.S. GDP was reported to have grown much less than expected and initial and continuing jobless claims surprised to the upside. Rather than worry about the economy, markets stayed near recent highs on comfort that the Fed would hold steady. The U.S. Dollar responded by weakening against major trade partners, giving commodities a boost.

EXPORT SALES

Sunday, August 1 will mark the beginning of the 2021-2022 marketing year, so one must note that this week's net sales for 2020-2021 were not as disappointing as they seemed. 6,200 bales of Upland sales were cancelled and only 5,000 new sales were booked, but with just two weeks to execute sales and practically nothing of old crop left to sell one must look to the next marketing year sales to gauge demand. Sales for the 2021-2022 marketing year totaled 192,200 bales and were well distributed across 15 buying countries. The sales are a bit lower than we've seen at this point in recent years, but not dramatically so. Shipments were healthy with 247,600 bales of Upland and Pima combined, but the totals for the final two 2020-2021 reports

will need to be larger to hit the 16.4 million statistical bale target that is currently held by the USDA.

CROP PROGRESS AND WEATHER

With the exception of a late start and the exceptional coolness of this growing season, the West Texas crop weather has been excellent. Recent warmth has helped the crop catch up in some areas, and pop-up storms have provided sustaining moisture to most areas in varying degrees. The crops look very good from the road, but there are still notes of caution about the need for another rain and much more heat. That seems to be the case for much of the Cotton Belt. Although 61% of the crop is rated “Good” or “Excellent” only 37% of the crop is setting bolls versus a five-year average of 42%. Out here in West Texas, where both rain and heat would be welcome, rain is in the forecast but heat is not. Temperatures will drop back into the 80s next week, which will keep us all praying for a long, warm fall.

THE WEEK AHEAD

The effect of the Delta variant on less vaccinated areas and countries is still a point of concern, but most of traders’ attention will be on tropical weather, crop development, and the weekly Export Sales Report. The August WASDE report will work its way into central focus sometime next week as traders try to predict the impact of its August 12 release.

IN THE WEEK AHEAD:

- Friday at 2:30 p.m. Central – Commitments of Traders
- 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