



PLAINS COTTON  
COOPERATIVE ASSOCIATION



# Cotton Market Weekly

FEBRUARY 14, 2020

## **CORONAVIRUS EFFECTS LINGER ON MARKET WHILE EXPORT SALES INCREASE**

- Higher Counts of Coronavirus in China Lead to Market Slip
- WASDE Revisions Plentiful Outside U.S.
- Export Sales Hit Marketing Year High
- RMA Insurance Price Updates

After slowly climbing higher this week, the market slipped back on Thursday in reaction to headlines generated by the coronavirus outbreak in China. March futures set the low for the week of 67.10 cents on Friday, February 7, prior to settling

at 67.75 cents. Fed by positive news suggesting the coronavirus outbreak had peaked, cotton futures climbed, setting the week's high close at 68.79 cents. However, China began including clinically diagnosed cases in their coronavirus count, and a spike in confirmed cases changed Thursday's tone to negative one. A disappointing but not surprising net reduction in export sales to China did not help things either. March futures settled Thursday at 67.75 cents, just three points off the low for the day and down 16 points for the week. Trading volumes remain high as index funds continue rolling passive long positions forward. Open interest has continued last week's downside momentum, dropping 27,128 contracts to finish the week at 220,310.

## **THE SEAM**

As of late Thursday afternoon, the Seam's G2B platform traded approximately 25,000 bales total over the past five trading days. Volume for the week was 13,000 bales higher than the previous week's total. The average price received by producers was 60.82 cents per pound, up 113 points from the previous week's average. The average premium over the CCC loan was 9.84 cents per pound, down 47 points from the previous week average. G2B offers late Thursday stood at 270,000 bales.

## **WASDE REPORT**

Tuesday's World Agricultural Supply and Demand Estimates (WASDE) report showed no changes for the U.S. balance sheet. The size of the crop is not normally updated in February anyway, as USDA waits for the end of ginning before finalizing the estimate. Export sales and shipments have also been on track or better than needed to hit the current 16.5 million bale target, so no revision was needed there either. U.S. ending stocks remain forecast at 5.4 million bales.

By comparison, revisions outside the U.S. were plentiful. World ending stocks were increased by 2.5 million bales to come to a total of 82.1 million. Production was increased 850,000, mainly in Pakistan (up 500,000 bales) and Brazil (up 200,000). The single largest revision cut one million bales from China's use, lowering it to 37.5 million bales. The cut is meant to reflect lost mill operations that resulted from quarantines of the Wuhan coronavirus outbreak. For now, USDA has opted not to reflect expected increases to U.S. exports, Chinese imports, or world consumption from the Phase 1 trade agreement with China. However, the impact of the deal is more likely to show up when USDA releases its initial 2020/21 estimates at its Agricultural Outlook conference next week.

## **EXPORT SALES**

Net sales of 350,900 bales for 2019/20 (a marketing year high) were up six percent from the previous week and 15 percent from the prior four-week average. New sales of 502,900 bales were offset by cancellations of 152,000 bales. Vietnam was the largest export destination with net new sales of 149,400 bales. Sales to China showed a net reduction of 48,300 bales, as new sales of 92,500 bales were offset by cancellations of 140,800 bales. Shipments of 400,500 bales were down four percent from the previous week, but up 20 percent from the prior four-week average. Major destinations were Pakistan (93,400), Vietnam (81,500), Turkey (63,100), and China (52,200).

Net sales of Pima totaling 10,900 bales were up 98 percent from the previous week, but down 10 percent from the prior four-week average.

## **OUTSIDE MARKETS**

Outside markets also continue to be tied to the coronavirus news cycle as pundits try to forecast economic damage. After climbing to new highs this week, the Dow-Jones Industrial Average and the S&P 500 paused after the spike in reported coronavirus cases.

The International Energy Agency stated oil demand in comparison to last year will drop this quarter by 435,000

barrels a day, the first quarterly drop since the financial crisis in 2009.

## **INSURANCE PRICE UPDATE**

The following prices are based on conventional grown cotton as reported by RMA. Current prices are shown below depending when the Sales Closing Date for your county ends. These prices are subject to change.

<b>Sales Closing Date</b>	<b>Price Discovery Period</b>	<b>Current Reported Price</b>	
January 31, 2020	12/15/19 - 1/14/20	71.00 c/lb	status: Released
February 28, 2020	1/15/20 - 2/14/20	70.00 c/lb.	status: Projected
March 15, 2020	2/1/20-2/29/20	69.00 c/lb.	status: Projected

## **IN THE WEEK AHEAD:**

- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 7:30 a.m. Central – Export Sales Report
- Friday at 2:30 p.m. Central – Commitments of Traders