



PLAINS COTTON  
COOPERATIVE ASSOCIATION



## Cotton Market Weekly

**OCTOBER 01, 2021**

### **MARKET TAKES OFF THIS WEEK**

- **U.S. Federal Spending and Debt Limit Fight Seem to Escalate**
- **Export Sales Report Confirms Surge in Demand**
- **11% of Cotton Belt Harvested**
- **Weather is Threat More to Quality than Quantity**

Last week was a rollercoaster, but this week was a rocket. December futures led the way higher, unrelentingly continuing the rally that started a week from last Tuesday. The lowest price since our last report was last Friday at 92.11 cents per pound. On Monday prices blasted through the previous life-of-contract high at 96.71 cents, but the momentum did not slow through the

end of the week. By Thursday's close, prices reached a high of 105.93 and settled at 105.80, up 13.34 cents for the week. It has been one of the best five-day gains for the market ever, fueled by a massive influx of new buyers. Over the last five days, open interest has gained 26,577 contracts to reach 289,362, which is the highest level since June 2018. Average daily trading volume doubled this week with the flood of new participants.

## **Outside Markets**

Outside markets had a lot to do with cotton's performance this week, but the rally did not stem from the usual suspects. Stock indices were lower this week as global energy shortages cut growth and consumption outlooks. Adding to nervousness, the U.S. Federal spending and debt limit fight seemed to have escalated, leaving the country wondering yet again whether the government would shutter for a while and whether there would be a technical default for the first time ever. The simultaneous shortages and debt limit fight created a unique combination of multi-month highs in both the U.S. Dollar and commodity indices. Cotton was relatively unaffected by the risk off mood, and instead was led higher by a tremendous rally in China's domestic prices, which rallied even more than U.S. futures. In fact, the need for additional cotton indicated by their price spike spurred the Chinese government to announce an extension of their cotton auction and the release of additional import quota.

## **Export Sales**

The Export Sales Report for the week ending September 23 confirmed the surge in demand for cotton, especially from China. Exporters made net new sales of 571,400 Upland bales and 16,900 of Pima. China was once again the biggest buyer with a huge order of 418,600 bales. Although sales elsewhere were healthy, the rest of the world's 152,800 bales ordered looks small in comparison. This week's sales were one of the best on record for this week of the marketing year. Combined shipments totaled 175,600 bales, close to their seasonal average.

Commitments to the export market had been lagging the last few years' pace, but the strong sales have pushed them back into normal territory.

## **Crop Progress and Weather**

Harvest is quickly approaching in West Texas, Oklahoma and Kansas, while 11% of the Cotton Belt was already harvested last Sunday, according to this week's Crop Progress and Condition Report. Texas was slightly ahead of average pace at 21%, but most other states are still behind. Conditions were also fairly stable on this week's report, too. There are chances of rain for the next few days here and in the Mid-South, but drier weather in the forecast should give growers a chance to begin preparing earlier planted fields for harvest. Clear, dry weather would be welcome from here forward. Despite all the catching up that this September has afforded, many fields would still benefit from a late freeze.

## **The Week Ahead**

Thankfully there are no current hurricanes or storms that look like they will make landfall for now. Weather will still be watched closely, but the threat is more to quality than quantity as it stands today. With the large export sales this week, next week's report will be even more closely watched than usual. Outside markets may yet have an impact, too. With Chinese markets closed next week for holidays, there is one less source of information for cotton's value. No matter what happens, all market participants are expecting more volatility.

## **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