



**SEPTEMBER 6, 2019**

**FUTURES PRICES FLUCTUATE, FINISH THE WEEK LOWER**

- **Dorian Threatens Southeast Crops**
- **Export Sales Strengthen**
- **USDA Reports Excellent Quality for South Texas Crop**
- **AWP Falls Below Base Loan Price**

Cotton prices started the week by falling to a low of 57.55 cents per pound Tuesday. On Wednesday and Thursday, however, positive U.S.-China trade talk helped the market rally as did a revised storm track for Hurricane Dorian that put the Georgia and Carolinas crops in jeopardy. Although prices continued to rally to the week's high at 59.86 cents Thursday night, the mood soured Friday. Poorer than expected economic data from the U.S. brought futures prices back down. Cotton finished at 58.58 cents, down 25 points for the week. Trading volumes were normal, and open interest grew to 226,049 contracts, up 2,899 since last Friday.

## **TRADERS FOCUSED ON HURRICANE**

This week's Crop Progress and Conditions report showed some improvement, but the market was far more focused on Hurricane Dorian. The storm tracked north along the Carolinas' coast lines, dumping huge amounts of water on open cotton. High, sustained winds did not help either, but growers in the area reported less damage than they had feared by the end of today. Weather was mostly quiet and dry in the rest of the Cotton Belt this week. West Texas has some rain in the forecast next week, but the remainder of the Cotton Belt should be mostly sunny and dry.

## **EXPORT SALES REPORT**

Export sales were fairly strong in this week's report. Net new sales for delivery in the current marketing year totaled 162,800 bales of Upland and 2,200 bales of Pima. However, net new sales for the next marketing year (i.e. for delivery after July 31, 2020) were 198,200 bales thanks to a large order of 180,000 bales from Mexico. Such orders from Mexico are not unusual as some large mills there prefer to book large quantities on-call far in advance. In fact, U.S. commitments to Mexico are already near the total quantity USDA expects Mexico to import this marketing year.

## **COTTON CLASSINGS**

The Corpus Christi Classing Office has classed more than 400,000 bales as of September 5, 2019. The predominant color for the season is excellent, with color grade 21 or better and leaf 3 or better. Other qualities are good as well, with average staple of 36, average strength 30.6, average uniformity 81.2, and average micronaire of 4.4. As a result, 84.5 percent of the samples classed on the season are of quality that is tenderable for delivery on the ICE No. 2 futures contract.

## **SEAM TRADING**

Growers had just over 100,000 bales offered for sale on The Seam's G2B platform this past week. Old crop cotton that is in the government loan has found it difficult to receive a positive equity. Grower equities over the past week for the 2018 crop have traded from a slight negative to a minimal positive equity, only a minimal quantity of new crop cotton has sold.

## **AWP FOR THE WEEK**

The Adjusted World Price for this week is set at 51.57 cents per pound. With the AWP below the base loan of 52.00 cents, some of the principle is forgiven (43 points for this week), all interest is forgiven and storage is forgiven as long it does not exceed the maximum storage credit. For 2019 crop cotton, a Loan Deficiency Payment of 43 points is available this week, but by accepting this payment a producer must forego placing the cotton in the loan. For 2018 crop cotton that was placed in the loan and was not sold by the loan maturity date, the producer then will have to pay forfeiture charges. Forfeiture charges include any warehouse receiving, warehouse compression charges, and storage charges that accrued prior to the loan. Other charges may include storage charges that accrued during the loan period but exceed the authorized storage credits.

## **WASDE REPORT COMING**

Although the weekly Crop Progress and Export Sales Reports will continue to figure centrally in traders minds, USDA will be releasing its next WASDE report on Thursday, September 12, at 11:00 a.m. central time. The WASDE report often has the effect of pushing most other market concerns aside. The market may transition into a wait-and-see mode ahead of the report, hoping to be able to process the news before taking new positions. On the other hand, shocks from outside markets or surprise policy shifts are still keeping traders on the ready.

## **IN THE WEEK AHEAD:**

- Monday at 3:00 p.m. Central – Crop Progress and Conditions
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 11:00 a.m. Central — WASDE
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 2:30 p.m. Central – Commitments of Traders