



JUNE 9, 2023

THE COTTON MARKET WAS QUIET IN ANTICIPATION OF WASDE REPORT

- Outside Markets Settled Higher for the Week
- U.S. Export Sales Reached Marketing Year High for Week Ending June 8
- Planting in Southwest is Currently Behind the Five-Year Average

The cotton market was rather quiet this week, with most traders waiting for the release of the World Agricultural Supply and Demand Estimates (WASDE) Report. The July contract traded in a choppy and two-sided pattern throughout the week but managed to stay in the same trading range present in recent months. The GSCI Index Roll is underway and the flow of

positions from July to December is part of the reason the July contract has been pressured. The December contract traded in a much tighter range, and eventually settled next to unchanged for the week. Other big headlines that provided support in the market were the very strong U.S. Export Sales Report and news that India increased the Minimum Support Price. For the week ending June 8, July futures settled at 84.31 cents per pound, down 211 points for the week. December futures settled at 81.63 cents per pound, up just five points for the week. Total open interest fell 6,903 contracts to 190,372, with most of the decline coming from the July contract.

Outside Markets

Although news in outside markets was light this week compared to recent weeks, stock indexes managed to post moderate gains to finish the week. Last Friday's monthly jobs report showed a surprising increase in hiring for May, with 339,000 jobs added. A bill was signed that lifted the U.S. debt ceiling, preventing the U.S. from defaulting on its debt this week. Crude oil was up early this week, much in part because Saudi Arabia announced a self-imposed production cut after OPEC stated there would be no changes to the cuts it has planned this year. The gains were short-lived and a large drop in crude prices occurred after rumors that Iran could potentially export more crude. U.S. initial jobless claims reached a 19-month high, pressuring the Dollar towards the end of the week. Expectations of an interest rate increase at the Federal Open Market Committee (FOMC) meeting next week were lowered, which squeezed the Dollar further.

Export Sales

An unexpected marketing year export sales high was reached for the week ending June 1. A net total of 484,400 Upland bales were sold for the 2022/23 crop. This week's sales to China made last week's admirable number look small. China was the biggest buyer for the week, with an impressive 384,700 bales booked. This was followed by Pakistan, purchasing 51,600 bales, Turkey with 18,800 bales, Bangladesh with 13,300 bales, and Vietnam with 6,500 bales. Demand for new crop, however, was negligible. A net total of 30,800 bales were sold for the 2023/24 crop year. Shipments stayed strong to keep above the pace needed to meet the export expectations of USDA. Despite the Memorial Day holiday during the reporting period, a total of 317,000 bales were exported for the week. Sales and shipments of Pima were down compared to the week prior. A net total of 2,100 Pima bales were sold and 11,700 bales exported for the week.

WASDE

We do not typically mention any action on Friday, but with the release of the WASDE report today we felt it is important for readers to see what was reported. The report came as anticipated to many traders. For the 2022/23 crop year, exports were raised 400,000 bales to 13.0 million bales. This caused ending stocks to decrease 300,000 bales to 3.2 million bales. Production in 2023/24 was raised 1.0 million bales to 16.0 million bales. Exports were also raised 500,000 bales to 14.0 million bales. The changes raised ending stocks 200,000 bales to 3.5 million bales. The changes were anticipated, but the balance sheet for the 2023/24 crop in the U.S. is still tight.

The world side of the balance sheet saw minor changes. For 2022/23, world consumption was lowered 54,000 bales to 109.09 million bales. World ending stocks were raised 26,000

bales to 92.89 million bales. For the 2023/24 crop year, world consumption was raised 77,000 bales to 117.0 million bales. Ending stocks were also raised 51,000 bales to 92.79 million bales.

Weather and Crop Progress

For the week ending June 4, USDA reported that 71% of the cotton crop has been planted in the United States. Much of the Southwest is lagging from the normal pace. It was not surprising to see that 60% of the estimated Texas crop has been planted, which is nine percentage points below the five-year average. Kansas is behind as well, with an estimated 69% of the crop planted, which is moderately below the five-year average of 79%. Oklahoma, however, is right on pace with the five-year average of 43% with 46% of the crop planted. Only 6% of the crop is currently squaring, staying slightly below the average pace of 10% for this point in the season. The condition of the crop is basically unchanged from the week prior. The cotton condition report rated 11% of the crop in the U.S. as “Poor”, 37% as “Fair”, 43% as “Good”, and 8% as “Excellent”. West Texas has continued to receive rain, and while many areas are still considered to be in drought, soil moisture in many areas has improved immensely during the past month. Insurance deadlines have passed in the Panhandle and the High Plains. The recent rains impacted planting in these areas, and we are waiting to see if producers choose to file for prevent plant or grow some type of grain. South Texas received a mix of sun and rain the past week. Temperatures have been warm, which has helped push development of the crop in the area.

The Week Ahead

With a new WASDE in hand and fresh data to trade on, next week's focus will shift to wrapping up old crop positions in July before First Notice Day begins on June 24 and the FOMC meeting beginning on Tuesday. Additionally, the Crop Progress and Condition Report, Export Sales Report, and weather forecasts will continue to receive plenty of attention.

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